

***Two Instances of Pay Individualization by Norwegian Banks: The
Future of Trade Union Presence***

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Prescript

Even the purely theoretical parts of this work would not exist were it not for the willingness of my interview respondents to inform my study by their voices of response. My strongest gratitude remains to these uncompensated benefactors whose knowledge has been indispensable to my thesis. My hope is that the digest and interpretations herein are worthy of their contributions.

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Contents

| | |
|--|-----------|
| PRESCRIPT | 2 |
| ABSTRACT | 5 |
| 1. INTRODUCTION | 6 |
| 1.1 Subject of Thesis..... | 6 |
| 1.3 Research Questions of Thesis | 8 |
| 1.4 Progress of Thesis..... | 9 |
| 2 METHODOLOGIES..... | 11 |
| 2.1 General Methodology..... | 11 |
| 2.2 Choosing <i>Qualitative</i> Research Design | 12 |
| 2.3 Technical methodology | 13 |
| 2.4 Reliability, Validity, and Generalizability | 14 |
| Summary..... | 16 |
| 3. THEORETICAL PERSPECTIVES..... | 17 |
| 3.1 Theories of remuneration | 17 |
| 3.2 Theories of Trade Unions in Relation to Wage Settlement | 22 |
| Table 1..... | 24 |
| 3.3 Norwegian Corporatism | 25 |
| 3.4 Decentralization of Wage Bargaining..... | 32 |
| 3.5 A New Role for Trade Unions? | 40 |
| Summary..... | 43 |
| 4. THE BANKING SECTOR; AN INTRODUCTION TO ITS NORWEGIAN INSTITUTIONS..... | 45 |
| 4.1 Inauguration..... | 45 |
| 4.2 The Norwegian Financial Services Industry Today | 50 |
| 4.3 Industrial Relations in Norwegian Banking | 52 |
| Summary..... | 55 |

| | |
|---|------------|
| 5. A MAP OF TWO PATHS, AND THE ROAD OF TWO BANKS | 57 |
| 5.1 The ‘Individualization of Remuneration Proposition’ | 57 |
| 5.2 Development of Pay System at Bank A | 59 |
| 5.2.1 Experiences from ‘Pay Interviews’ | 65 |
| 5.2.2 Inferences | 68 |
| 5.3 Development of Pay System at Bank B | 72 |
| 5.3.1 Experiences from ‘Pay Interviews’ at Bank B | 76 |
| 5.3.2 Inferences | 79 |
| Summary | 83 |
| 6. COMPARISON BETWEEN BANK A AND BANK B | 84 |
| 6.1 Likenesses | 84 |
| 6.2 Differences | 85 |
| 6.3 Common Results | 88 |
| 6.4 Divergent Results | 88 |
| Summary | 91 |
| 7 CONCLUSIONS | 93 |
| 7.1 Larger Considerations; “Decentralizing” the Discussion | 93 |
| 7.2 The Shop Steward Role Will Be Affected | 99 |
| Summary | 100 |
| REFERENCES | 102 |
| APPENDIX 1: SAMPLE OF INTERVIEW GUIDE (IN NORWEGIAN) | 107 |

Abstract

This study has investigated how two Norwegian banks have enacted and experienced individualized pay systems. The analysis was undertaken with in-depth qualitative interviews with a shop steward representative and a management representative at both banks, as well as with an employee representative at one of them. In addition, a preliminary interview with a delegate from the employer organization in the financial services industry was completed – mainly as a means to obtain introductory knowledge of recent trends and debates of remuneration among Norwegian banks. The development has been manifested in a proposition from 2001 rendered by a joint commission comprising representatives from *Finansforbundet* (sector level trade union) and *Finansnæringens Arbeidsgiverforening* (sector level employer organization). The document, here called the *Individualization of Remuneration Proposal (IRP)*, drafted by the commission declared the need for adoption of more individually based forms of remuneration of employees in the Norwegian financial services industry. The crux was clause 14.5 from the *Basic Agreement* – which inherently offers significant leeway for local fixation of payment, and the proposition was for two alternative routes towards such decentralizing reforms. Firstly, one ‘moderate’ alternative to include employees, in some way, in the examination of individual payment commanded by clause 14.5 of the *Basic Agreement*. One example is to involve pay related issues in the already existing ‘appraisal interviews’. Secondly, a more ‘radical’ alternative consisting of complete determination of wages through individual sessions of wage discussions between employee and employer just as in the Swedish financial services sector (i.e. ‘pay interviews’).

Two case banks have been investigated. Each followed a separate route from the *IRP*, and both chose to include pay-related discussions in the ‘appraisal interview’ sessions. The study assumes a feature to be a vital spur in the development of the first for both cases; namely, the existence of a kindred decentralized organizational structure in both banks. The study infers that the most important difference between the case banks unfolded as a matter of which position shop stewards were granted to the revenue-related aspects of the employment relationship under the implementation of the new pay regime. Even though it is uncertain whether or not either of the two bank cases will create and/or sustain such a *procedural* role for shop stewards in the longer run, the conclusion of this study is that such positions are the most promising for continuous trade union presence and influence of wage settlement in banks operating with individualized pay systems.

1. Introduction

In this first chapter the subject of the thesis will be presented, along with the general work model that has been guiding the investigation as this has progressed. The chapter will then reveal the hypotheses targeted and adumbrate the advancements of ensuing chapters and sections.

1.1 Subject of Thesis

This study has attempted to investigate the roots and causes of individualization of remuneration in a particular sector of the Norwegian economy. The natural theoretical habitat of such a study is among considerations of decentralization of industrial relations. Or, to phrase it differently, the larger debate as to whether or not a general decline of centralized coordination of how employment relationships operate will have its more specific resonance in issues such as in what way wages are negotiated and settled in particular companies.

If all regulations of the employment system were merely a matter of aligning employees' needs and interests with those of their immediate employers (Coase 1990: 14), there would be no collective regulations to *decentralize* away from, or any way to *individualize* pay settlement further. In that case, the labour market would determine wages in accordance to the supply and demand for labour at infinitesimally small divisions of work tasks. Such is not, however, the way employment is structured any western economy where collective bargaining of wages and working conditions have moved a lot of industrial authority outside of the remit of the basest market forces (Western 1997: 3). When academics analyse and develop theory regarding facts and developments of employment relationships they are aware of the enveloping institutional settings, and use the phrase 'industrial relations' to denote them all in one breath (Edwards 2003).

To repeat and clarify, all institutional settings that shaping and reshaping employment relations have it in common to be *central* (here simply meaning negotiated at a level common to more than one company) and *collective* (meaning to relate to more than one employee at the same time). Changes in the structure and working of industrial relations of different economic sectors are hence too commonly recurring amongst scholarly debates. When such involve a shift away from, or back to, market forces influence of industrial relations both features will be affected, and the academic jargon describes the process(es) as *decentralizing* and *individualizing*. In the broadest sense, that is the topic of this study too. Whatever

findings this study will yield, they will touch upon matters that more or less overtly relate to the interplay of markets and institutions, and reallocation of decision power between the two.

Further specification would affirm that this study has concentrated on very precise instances to inform the subject. The line of thoughts can be depicted in decreasing level of abstraction: we follow the theme of *industrial relations* to the leitmotiv of *decentralization*, thence to the topic of *individualization* of payment in the banking sector, materialized in the empirical destination of the two case banks. By the same stroke, we can give a reversed description of the theoretical certainty and relevance the investigation is likely to accrue, were the thoroughness of knowledge will decrease, or diffuse, in pace with levels of abstraction all the way from the case banks up to the theme of industrial relations writ large.

The narrowing of topic is *not*, however, merely a matter of deducting empirical considerations out of pre-given theoretical assumptions. The choice of committing research on the pay system of two banks has to do with idiosyncrasies of the banks themselves as well as of the financial services industry. Those would be able (and to some extent, *will*, as this paper progresses) fill pages with minutiae details. For now it suffices to stick to the feature of industrial relations in terms of the market/institution division given above, such as *individualism* versus *collectivism* in settling vocational matters (Kessler and Purcell 2003). The financial services sector is – at least in Norway – in an ambiguous position and not easily decried. Some of its industrial relation features (such as union density of the sector) would call for centralized and collectivist tags. Others (for instance the fact that financial companies have some leeway in the implementation of the sector-wise negotiated wage levels; or the fact that the parties of the financial services sector's industrial relations rarely engage in national endeavours) point more in the direction of decentralized and individualistic descriptions. The indefinite nature of the sector, of course, adds to the theoretical relevance of investigating its statuses and developments.

As for the two case banks, devoting attention to them is here defended with reference to the same, and hitherto unknown, occurrence witnessed at both sites. That is, both banks had, shortly in advance of this study, enacted new and *individualized* pay systems. The study is, hence, a partial comparison of processes and outcomes of a fairly similar variant of wage fixation. The theoretical relevance will follow the same ordering as the one given just above; most immediately the relevance is to individualization of payment for Norwegian banks, secondary, findings will appertain to issues of decentralization of industrial relations in the financial services sector, though such accounts fall out of this investigations scope.

In concrete terms, there are primarily two banks and, secondarily, one employee organization along with one employer association dealt with in this study. Every time any of these are referred to in the paper, their exact identity will be revealed. Within these agencies there are some particular agents that will be devoted attention. To be sure, from the first case bank (Bank A) one employee representative, two shop stewards, and one management representative were given ear. From the second case bank (Bank B) one shop steward, and two management representatives (giving their testimony simultaneously) were interviewed. On behalf of the two organizations, a document drafted by a joint commission – that directly touches upon the subject of this work – along with a clarifying interview concluded with a representative from the employer association served as medium of information.

The study intends to produce material that holds strongest relevance to those either empirically or theoretically affiliated with instances and occurrences from the abovementioned agents and agencies.

1.3 Research Questions of Thesis

Following the description of subject and relevancy of this work, the hypotheses that has guided and directed the empirical attention along the routes towards fulfilment can be given.

Basic Question: How can one understand the causes and developments of individualized pay systems in the Norwegian financial services industry?

The basic question can be here be read in two ways. The first reading is simply as an expression of the ultimate goal for the research project. Alternatively, it can be read as an articulation of the research agenda sufficiently broad so that all ensuing findings can be subsumed in that one phrase. However it is interpreted, the basic question will need some narrower specifications in the form of sub-questions.

Sub-Question 1: What can we learn about pay system individualization in the Norwegian financial services sector by analysing and comparing the developments and consequences from such alterations in our two case banks?

The first sub-question has to do with the inductive assessments that will be immediately extracted from the empirical material under scrutiny, and its level of theoretical ambitiousness does not, in that way, hurl answers to farfetched destinations.

Sub-Question 2: What inferences that appertain to the entire sector can be rendered from an analysis and comparison of two instances of the same form of pay system individualization among Norwegian banks?

Sub-question 2 is more chin-up in that it attacks issues that do not directly flow from the empirical material present. Such considerations do – notwithstanding their more speculative nature – present themselves to studies such as this one.

1.4 Progress of Thesis

The thesis will evolve in the following way and sequence:

Section 2 illustrates the general methodology that has informed the empirical assembly and interpretations of the material gathered. The methodology is strongly edified by Charles Ragin's (1994) theoretical schemata. This section will also explicate and defend the choice of pursuing a qualitative research design, as well as state the research questions the study will attempt to answer.

Section 3 provides the details of the theoretical contributions that have given the analytical clues in the interpretative work on the empirical material. Broadly speaking, the section is an elaboration, comparison, and discussion over theoretical fields such as wage; trade union and industrial relations; and economic trends.

Next, *Section 4* gives an outline of the present status of the Norwegian financial services industry in terms of its actors and agencies, collective bargaining structure, and developments in the relationships within the sector.

In *Section 5* an empirical description of a particular document vital to this study, along with a thorough depiction of two Norwegian banks' adoption of individualized pay systems will be presented. This section serves as the empirical groundwork on which all ensuing analyses are founded.

Section 6 continues from the case descriptions of the two banks from its preceding section, and gives an explicit comparison of the most prominent features between the cases.

Finally, *Section 7* concludes the investigation by bringing the theoretical and the empirical threads to a tentative alignment. This is the section that tries to answer the research questions.

An appendix gives the Norwegian version of one of the interview guides.

2 Methodologies

This section will present the methodological backdrop that has catered this study's data collection and interpretations. A broad presentation of Charles Ragin's (1994) methodology will be accompanied by a defense of methodological choices as well as considerations peculiar to qualitative research designs.

2.1 General Methodology

The methodological framework that has informed this study throughout its progressions has been the one developed by Charles Ragin (1994). In all the social scientific attempts to construct representations and descriptions of the social world, he considers investigators to be presented with a fundamental dilemma, or rather, a "trade-off"; concerning whether to investigate many characteristics on a few cases of study, or to research only some features on several cases (Ragin 1994: 49). Because all descriptions of are simplifications and, as such, incapable of grasping all aspects of the case under study, the "trade-off" inescapably troubles researchers and their theoretical end-products. In the academic nomenclature, this "trade-off" has been christened *methodology*, and it consists of quantitative and qualitative strategies as opposites in methodological choices. To be sure, Ragin's classification is a simplification of these opposites by his claim that the two strategies ultimately differ in that qualitative research focus on many traits of few cases, whereas quantitative approaches scrutinize few characteristics over a vast number of cases. These are the methodological extremes. *Somewhere* betwixt the qualitative and quantitative research methods there is no longer possible to discern the one method from the other that simply, since researchers thus motivated will analyze fairly many characteristics on fairly many cases. In that *somewhere* researchers employ the comparative strategy (Ragin 1994: 49). Needless to say, there are no definite demarcations from the one method to the other, and so their edges overlap and are somewhat "blurry" – not to mention the frequent use of combined methods in the same research design that many social scientists make use of.

Off course, the type of method is not picked at random, but the researchers' questions direct them in their methodological decisions. The general, and prescriptive, pattern of research design molding given by Ragin (1994: 48-49) is as follows.

- Researchers interested in *commonalities* should/do examine many aspects or features of a small number of cases thoroughly. This amounts to a *qualitative* design

- Researchers who venture to study *diversity* should/do approach a moderate number of features of a moderate number of cases. If so, the design is *comparative*
- Researchers interested in *variation* should/do detect how the same feature unfolds over a vast number of cases. This is the *quantitative* design

2.2 Choosing *Qualitative* Research Design

The sub-title reveals that this study has been carried out and completed by the methodological guidance of a qualitative research design. The grounds for choosing so must be presented. The decisive factor has been the recent origin of the subject matter, and the few instances of it.

If a large amount of numerical data had been available regarding pay system individualization among Norwegian banks, a quantitative research design would probably be a suitable way to investigate the research questions. Such a design would, however, not be able to accommodate investigations of the exact grounds the case banks have had for altering their way of settling wages. But more important in removing the option from the methodological alternatives was the sheer fact that no such material exists because individualized forms of payment only recently has emerged at some pioneer banks, of which our cases are found.

If the study had focused on a well defined and identifiable set of outcomes from a handful of cases, a comparative design would be applicable. But, again, there are few such cases available, in addition to the fact that the slight inhibition of in-depth such designs elicit was undesirable to the purpose of this study. What is more, the recent origin of our subject matter would make it difficult to establish exactly what factors should be object to scrutiny.

Some could find it unfavorable if an analysis comprises nothing more than only a few cases (such as two in this study). That there might be great benefits of holding a narrow empirical focus, and that it need *not* entail weaker results is, however, now part of the methodological orthodoxy (Liebersson 1992). The technicalities of this study's methods will be elaborated in the next section, though a couple of features of its specific form of qualitative method need mentioning.

Except for the borderline material of a document drafted by central actors in the field investigated, all empirical material consists of transcripts from interviews completed with representatives of management, shop stewards, and employees from two banks, as well as from an interview with a delegate from the sector level employer association. All of which were completed by the author, or in his continuous presence. To believe that interview

transcripts amount to a purely objective and “true” account of the reality interrogated about is an erroneous assumption, as both interviewer and interviewee influence the interview session (Silverman 2001: 86). A couple of facets of the interview material of this study do, however, sustain a proposition that the description and assumptions given in the following are properly and plausible rendered. First of all (and as probably expected based on the subject matter of this study), there were near zero questions asked that were of an offensive and/or intimate nature. Since the interviewees were asked for information that one would see no reason to withhold, disremember, or the like – questions designating sequences of procedures, formal positions etc – it is here taken to be accurate. Secondly, because more than one interview was done at both cases whose subject matter overlapped (excepting that with the employer association delegate), and since additional written material was provided from informants, misleading information would most likely have been eliminated through cross-references. There has not been revealed any significant ubiquities in the analyses and interpretations of the descriptive parts of the empirical material. The only possible exception to this is where actors own experiences have been conveyed. Such material is indeed presented in this study. However, where that kind of material serves as the empirical basis for the analysis it is always made clear that so is the case. The study would suffer greatly if those part would be omitted and, after all, “[e]verything depends on the status which we accord to the data gathered in such interviews” (Silverman 2001: 111).

2.3 Technical methodology

This chapter will describe the data used in the study, as well as whence and how this material was assembled.

Type of Data

In it broadest sense, this study has analyzed two kinds of data from four sources. The first and smallest data kind is a document drafted by delegates from employer and employee organizations at sector level in the financial services industry to a joint commission. The second, larger, data kind consists of transcripts of several interviews completed with persons from three different entities; two banks and one organization. All interviews have together resulted in approximately fifty pages of interview transcripts.

The second bank was interviewed some six months after the first, and the interview with the employer association representative was completed a couple of months prior to the

discussions at the bank firstly interviewed. The first interview was something like a pilot interview in two ways. Both because it was completed first and – contrary to the later ones – consisted of more unique information; and because the information therein gave hints of what empirical aspects that needed to be covered in ensuing investigations.

The interviews followed a semi-structured template that dictated which areas and topics that should be surveyed during discussions. This was not, however, followed obsequiously, rather, consulted if or when the natural flow of speech drifted out of its virtuous currents. The exception to this formula was the two interviews with personas from the second case bank. Here, the discussions were completed together with a delegation of three professional researchers from a Norwegian research institute (the *Fafo* institute). Discussions were directed and vouched by these professionals, though all interviewers were permitted, and did, ask their own questions. As is mandatory for such interviews, all affected and interrogated persons were well informed of the project to which they would provide their testimony.

One potential empirical feeble spot was the fact that there was little interviewee overlap – meaning, that all reported information that, for the most part, was unverifiable by others' attests. In the methodological literature such cross verification of verification is described as saturation of information (Silverman 2001: 229). The absence of means to detect saturation in our case, of course, called for particular attention during discussions, since the information would only be communicated once, and the questioning needed to be directed accordingly.

The document analyzed had been presented to me by the professionals at Fafo research institute. It has, in this study, been assigned to the empirical section. The document has an ambiguous status, but the fact that it has guided and directed the investigation more as a field work discovery than an analytical tool does justifies the appointment of the piece. Nonetheless, the document differs from the remaining empirical material in that it was not *as such* gathered to this study.

2.4 Reliability, Validity, and Generalizability

These are the main scientific criteria for all research, though a slight case for their relevance to qualitative methods in general, and to this study in particular, will be given.

Reliability

As this research has progressed by the analysis of qualitative interview data, the challenge of reliability has consisted in making sure that respondents have understood what they are being asked to reveal, and interpreted adequately afterwards (Silverman 2001: 229). In this study the informants posited far more knowledge of the subject matter than the researcher(s), and so investigators' presumptions did not threaten the interview situation too much since the latter had scarce material to found biases on. Two means to improve the reliability of qualitative interview data are claimed to stand out. The first is to use as much standardized questions as possible so to prepare questions; the second – which appertains most to qualitative textual analyses – is to let several researchers compare their interpretations (Silverman 200: 1231). All questionnaires of this study were, indeed, deduced by more or less the same scripts, though most comparison was done by one single mind.

Validity

Validity is an even more intuitively comprehensible criterion for social research. Basically, it has to do with whether or not the research accounts accurately represent the phenomenon they purport to describe (Silverman 2001: 231). The means to defend a study's validity are far more accessible for a quantitative analyst (Silverman 2001: 247). Basically, a qualitative researcher must employ constant comparison within the material rendered from his or her investigation in order to come to terms with this scientific command. In this study the constant comparison between the different interview reports has been a constituent feature of the research process, as a thorough knowledge of the field was not posited by the author beforehand.

Generalizability

This criterion is, arguably, the most challenging to qualitative analysts. This may be easily presented by reiterating Ragin's (1994: 49) elucidation that the qualitative research focuses on many traits of few cases, whereas quantitative approaches scrutinize few characteristics on many cases. Because the quantitative approach inherently involves cross-case considerations, findings will reveal generalizable traits in order for the findings to be recognized as such. The qualitative approach, on the other hand, will have to prove or convince the reader that the in-depth investigations of some few cases have relevance to other, non-investigated, areas. One could even claim that this convincing activity is what makes the qualitative approach an adequate way to engage in scientific activity! The general way of achieving generalizable

research results for a qualitative researcher is, in some way, to choose cases purposively by following theoretical cogitations of the subject matter (Silverman 2001: 250). In this study, the generalizability has been ventured by choosing two cases that were known to share the same and rear characteristic; namely, two instances of individualized pay systems by means of enacted 'pay interview' sessions. Due to this pay system's recent origin in the industry studied, a qualitative approach is altogether the most apt way to establish generalizable results, even though the theoretical challenges continue to lurk and threaten the conclusions given.

Summary

After presenting Charles Ragin's (1994) methodology, this section has defended the qualitative approach employed in this study. It was concluded that the subject matter did present a qualitative design as more appropriate in that only a few cases, let alone available material, were suitable for investigation. The basic steps of the process were sketched, before a note scientific relevance in terms of the criteria of reliability, validity, and generalizability was given. It was maintained that these criteria were fulfilled by (i) a standardized way of preparing interview questionnaires (ii) a constant cross-informant comparison of information (iii) a particular attention to field-specific details when choosing cases for investigation.

3. Theoretical Perspectives

This chapter will present the theoretical backdrop found apt to explicate developments of industrial relations in the Norwegian banking industry, as well as to elucidate research findings peculiar to this study. Ragin's methodology, which was authorized in section 2 a. (above), holds theoretical articulation as being simplifications of the subject studied, and deemed to leave out plenty of information. The theoretical articulation given in this section is intended defend the notion that only the excessive information from our cases was omitted from the analysis.

3.1 Theories of remuneration

Defined broadly, theories of remuneration in work-life fall into either of two camps: standard market models and various other models, and both camps, in one way or another, depart from classical economic axioms (Høgsnes 1999: 24). What Høgsnes (1999) has called a *standard model* of remuneration, is simply a model that leaves the purest market perspective intact, and moves no further than what the classical economic presumptions allow for. What are then expelled from the analysis, are deliberations of relative (not only absolute) values of payment (p 20). Before offering further insights to Høgsnes' theory of remuneration, a disposition of the some significant alternative theories will be provided so that we convincingly can proceed with his as our backdrop. To precipitate, the Høgsnes' perspective has a major advantage over competing theories in that its inclusion of *relative* aspects of remuneration gives us both insights and analytical tools to the dynamics between wages and trade union activity.

The Standard Market Model of Wages

In its basest variant, economic wage theory propose a rather straightforward description of wage levels in the economy. Basically, economics will regard wages as an expression of the outcome of supply and demand for labour power in a labour market (or, alternatively, in the one entire labour market). As is the case for all markets when given economical articulation, the price for labour (viz. the wage level) is assessed only in relation to the price under 'market equilibrium'. This means that when the labour market has reached its equilibrium the wage level has adjusted to balance labour supply and labour demand. The demand for labour equals the supply for labour in the market under these circumstances (Stiglitz and Walsh 2002: 182).

There are some vital conditions that have to be satisfied in order for the labour market to reach its equilibrium state. First of all, there must be complete information for both buyers and sellers of manpower so that no employee that wishes to work at the going market wage is left jobless. Another qualification is that there are perfect fluctuations in the market, so that those who wish to quit their job, and employers who wish to get rid of a worker, may do so unrestrained.

The economic equilibrium model of wages has, of course, rarely (if ever!) been accomplished in any labour market. Notwithstanding, economists have continued to apply the model as an ideal focal point when assessing the conditions of wage levels and market power. One should not think that economists have failed to notice the lack of empirical equilibrium instances. Even the fundamental economic fact that employers, for the most part, hire workers at *long term* employment contracts has been presented as a source of market imperfections in that every single work task ideally would present an independent equilibrium wage that is neglected by stable employment relationships (Coase 1990: 35). Even though the existences of all employment contracts, ipso facto, violate the labour markets, the adoption of the ideal type has not lost theoretical relevance to economists. Rather, the new theoretical advantages have been reached as economists have shifted their attention to the peculiar role employers have in the labour market. Manning's (2003: 3) seminal approach to labour markets has done so by assuming two inexorable features of labour market imperfection. First of all he claims that there will always be important frictions present which will prevent the free fluctuation of manpower. Next is the fact that employers are the ultimate wage setters. As Manning contends that these imperfections are deemed to exist as long as employers contract labour, he categorizes the labour market as essentially 'monopsonistic'¹. By this he means that the buyers in the labour market (i.e. employers) have a monopolistic advantage over the sellers (i.e. employees). It is in this regards that trade unions become unavoidable relevant in that they countervail (some of) this monopsonistic employer power when they group employees.

Intuitively speaking, and considering wage-related issues in isolation, one would expect trade unions to seek wage elevation as they break some of the spell of employer supremacy in the labour market. That trade unions do indeed raise wages have long been acknowledged (Freeman and Medoff 1984: 43). But as this tendency is far from ubiquitous, and forces us to include several aspects of remuneration partly external to mere nominal

¹ The etiological origin is Greek, and is derived from the two words "mono" – meaning "alone" – and "psonos" – meaning "purchaser".

wages, we need to engage in a departure of the standard economic market model so as to point to the more complex nature of wages.

Alternative Approaches to Wages

The different models that have been developed as alternatives to the standard market model throughout the years, have partly been created in order to explain how compensation for labour – and motivation during wage negotiations – will contain elements that cannot be measured in traditional economic terms (such as symbolic effects). Hippe's (1997) supposition on this topic is twofold. First of all he argues for attempts to bring in empirical considerations of how firms themselves differ in their distribution of occupational (non-monetary) welfare arrangements if we are to grasp the entire logic of employment and labour (p 209). With that he means that when disregarding the social policy of the specific firm, we only obtain one (monetary) aspect of the employment relationship. Secondly he denies that pure economic elements alone can explain the logic of firm-specific social policy, and non-monetary remuneration (p 215). In order to do this, Hippe proposes to bring in sociological and psychological considerations to the analysis (p 216).

There are not, however, only by including non-monetary rewards to the analysis that symbolic aspects of the employment relationship are given attention. Within the second camp mentioned above (the one that broadens the standard market model), we find perspectives that explicitly deal with the symbolic value of strictly pecuniary benefits. One perspective highly recognized as such, and actually arriving from the discipline of economics, is George Akerlof's 'efficiency-wage theory'. In order to explain how employers frequently offer wages higher than the market-clearing price²; Akerlof's (1984) theory conceptualizes the employment relationship as a reciprocal gift-exchange between employer and employee, where the former receives loyalty and commitment in return for money delivered the latter. As a subsidiary point we may here expose that managerial practices have been attentive to theoretical discoveries of the loyalty aspect of remuneration. The timing and kind of monetary appraisals of employees are in present organizational academics presented as independent factors of productivity: for instance, piece rate payments and task specific bonuses are thought to increase productivity, whereas distribution of company stock assets to employees is expected to foster loyalty to the firm (Bråten and Langeland 2003).

² The wage level that would eliminate unemployment

This study will concentrate on wages in relation to well established collective actors of industrial relations, and psychological factors of payment are therefore not directly touching upon our subject matter. As extra-pecuniary aspects of wages are somewhat auxiliary to this study, it suffices for us to note that commentators find it necessary to include them in order to explain the employment relationship. Even though sociologists have for long communicated their disbelief in assumptions of money as a ‘neutral veil’ of value, and stressed the fiduciary dimensions in the establishment of monies as accepted payments (e.g. Dodd 1994), we will here leave such discussions altogether as we are not targeting money as a nominal unit of account but rather the process of wage determination in a particular labour market.

A domestic scholar who presents a seminal connection between symbolic – along with other non-monetary – aspects of wages and trade union activity is Høgsnes (1999). The way he does so is by pointing at the dynamic process through which wages are actually settled, that is, the bargaining process.

A Sociological Perspective of Wages Bargaining in the Labour Market

Most attempts to bring the standard economic equilibrium assumption in line with real-life situations, or altogether forsaking it, are expected to attack the static dimension of the model in that it disregards the sequential and relative way market prices fluctuate and settle (Buchanan 1988: 15). Høgsnes (1999: 29-30) charges standard market models of wage levels to be ‘atomistic’ in the sense that they only operate with two parties (or their due representatives) in the bargaining process. According to him, the actions, aims, and strategies of the actors involved in the bargaining process will not be correctly comprehended if not their complex biographies and interdependences are not taken into account, along with the particular social setting in which the bargaining process occurs. By following Høgsnes we get the opportunity to get a take on stabilized wages that is strikingly different from what standard equilibrium models would have us assume. When actors in the bargaining process over time cement their behaviours and inward relations; it does not necessarily mean that their labour market is approaching the market’s equilibrium wage level; rather, their conduct is institutionalized. This point, of course, that market conditions are more a matter of social *outcomes* than of social *causes* (Fligstein 2001: 17); and that all economic processes are institutionalized by social processes irreducible to isolated strategic actions (Granovetter 2001), finds resonance in established sociological theory.

The next section, dealing with the Norwegian banking and financial services sector, will offer the descriptions of the actors and instituted processes of wage bargaining particular

to the labour market encompassing our cases of investigation. Before we proceed to a general, and theoretical, exposition of trade unions in relation to wages and bargaining, one more point of the *relativity* of wages needs mentioning. Because this circumstance belongs as much to trade union bargaining activity as it does to wage theory, it will recur in the following paragraphs dealing with the former.

What was hinted at was the fact that no bargaining process is insulated from social (i.e. non-pecuniary) norms of fairness. In order to grasp the aims of employer and employee representatives during wage negotiations, such norms cannot be shunned from the analysis. As mentioned with reference to Freeman and Medoff (1984), trade unions are, *ceteris paribus*, expected to elevate general wages above the market clearing threshold. From this it follows that, if all trade unions were identical in terms of wage preferences (i.e. simply increasing it), determining the wage profile would be easy, and all trade unions would opt for centralized bargaining rounds (Elster 1989: 183) – meaning, bargaining rounds encompassing as many employees as possible at the same time. With great variation across labour markets and countries, the difficulties of uniting all trade unions in wage bargaining have been apparent. What bargaining actors – and academic observers – have witnessed in relation to collective bargaining is that social norms as to what principles should guide trade unions’ wage profiles differ to a great degree from organization to organization. One of the important “disturbing” forces in bargaining, that only indirectly springs from the nominal aspect of wages, is the role of wage norms adhered to by the negotiating parties. When wage norms influence the bargaining situation there are considerations external to the mere nominal (wage level) and real (purchasing power of payment received) increase of wages at stake. Commentators stress that both normative and strategic considerations influence the bargaining process, and that the two follow separate logics (Scheuer 2000: 186).

Without entering the profuse scholarly dispute as to how exactly to define ‘norms’, a characterisation that will serve the purpose of depicting trade union activity and wage norms succinctly, we get by simply declare them as ‘conceptions of justice’ (Elster 1992: 5). In and for itself, ‘justice’ is no simpler a matter than are ‘norms’, but by that translation we get a more approximate enjoinder with normative axioms endorsed by trade unions during actual collective bargaining rounds. What is more, we need not depart from assumptions of strategic behaviour at the bargaining table when adopting a ‘justice’ frame of reference, because it is possible to discern how particular groups may summon principles of justice intentionally – even opportunistically. For instance, trade unions representing employee groups whose bargaining power is “weak” will probably improve their position if principles of justice are

called for than under negotiations wherein mere market power decides the outcome (Fennefoss and Høgsnes 2003: 17). The most important implication of wage norms for collective bargaining is that they provide another dynamical dimension to the wage levels and the bargaining process in a labour market, because the parties will try to alter their situation in relation to other groups' wage levels in addition to their own present situation.

We will return to this point under the discussion of trade unions and decentralization of wage settlement. The crux of this exposition of a sociological perspective of wages which is to cater us with a canvass is that wages in collective bargaining is not merely a question of nominal and real augmentation of wages, but stand in relations to other wage levels in the labour power, in the same way as principles of justice will have a *relative* significance to those involved. When investigating present day labour markets, these relative aspects of payment, meaning wage level of one group vis-à-vis other groups, cannot be neglected (Høgsnes 1999: 13) – and so neither can trade union activity.

3.2 Theories of Trade Unions in Relation to Wage Settlement

Just as with the previous discussion on wage theory, we get a good insight into trade union behaviour in wage settlement by commencing with economic theory. A landmark analysis of trade unions is Mancur Olson's (2001). His was an attempt to explain how trade unions are able to provide benefits to organized members since non-organized employers also will enjoy these. Since the goods produced by trade unions are not restricted to unionized employees, the good is "public" in the sense "publicly accessible". The fact that unions produce outcomes – broadly speaking, wage increase, seniority principles, and worker protection (Freeman and Medoff 1984) – that are open to employers who did not contribute to their becoming – the goods will not be produced unless participation in its production is rewarded in some way (Olson 2001: 51). Such rewards Olson calls 'selective incentives', and – unlike the public goods themselves – trade unions are able to monitor and control their distribution. Among selective incentives Olson (2001: 73) detects, is insurances, welfare benefits, and pension schemes. Without such, a *rational* worker, well aware of his or her insignificance to the end results, would not voluntarily contribute to their production (Olson 2001: 88). In effect, the good, as according to Olson, is theoretically reduced to an aggregated *by-product* of the many individual rewards (Oliver 1980). Olson has, since his theory's inception, bequeathed the rational action approach to later industrial relation scholars coping with trade union activity.

The prominent contribution partly leaning on Olson is Colin Crouch. What he regarded as important was to construct a diagram for distinguishing trade unions in accordance with the tenets of rational behaviour on part of union members. Specifically, he states his opinions to fall under the sociological label of ‘exchange theory’ in that he tries to identify costs and benefits of social action when investigating individual and group conducts (Crouch 1982: 41). So far, Crouch’s logic resembles Olson’s, but he makes a significant break with his theoretical predecessor in that he does not envisage ‘selective incentives’ as the motivation for joining trade unions. Rather, Crouch contends that it must be the primary goal of the specific trade union that attracts members, so that “union membership will vary with the *usefulness* of the union to the workers in question” (Crouch 1982: 67 [italics added]). Thus, he develops a diagram with one dimension distinguishing the ease members have in using the organization, and one dimension over member’s dependence on the organization as a means of achieving their goals (Crouch 1982: 68). He lists the following ideal types: professional groups have great ease in using their organization to accomplish goals due to their strong position in the labour market, though – and for the very same reason – are not contingent on it for doing so. White-collar employees have little ease in using their organization and little dependence on it, and are hence the group less likely to unionize. Agricultural workers have high dependence on their organization, but little ease in using it; mainly because they work in distance from their potential co-members. Lastly, semi-skilled workers in strongly organized industries both have ease in using their organization and are highly dependent on it for accomplishing their goals. Crouch thus expect unions to be strongest in the latter group, and weakest in the first – both in terms of bargaining power and union density in their sectors respectively.

Because Crouch has vested several factors in his bargaining perspective, he allows for a broad interpretation and analysis of the bargaining process. Since there the goals of trade unions will be shaped by the organization’s power, in terms of membership density and support, as well as by the goals of its members, Crouch (1982: 114) depicts a continuum over trade union activity in the bargaining process ranging from concerted to contentious behaviour. This, of course, brings us back to the discussion of remuneration (in the forerunning section) wherein it was stated that the sociological view of wage levels may settle and freeze without necessarily having reached any economical equilibrium state.

There are several advantages with employing Crouch’s perspective when studying industrial relations. The most important to our purpose, is that he separates trade union goal and union members’ goals. In doing so we are allowed to grasp the multifaceted nature of

organizational strength, as well as to make certain suggestions as to employee groups' characteristics rendered from their unions' operations. What is more, his view includes macro-political considerations beyond the wage bargaining process, because, as he himself states, the attempt to elevate wages will inevitably entail larger ramifications. That is, such strategies are only compatible with continuing high employment levels, something that lies beyond the negotiating parties' capacities and influences (Crouch 1982: 197). Unemployment is not of direct pertinence to our study though, but will be slightly dealt with in the section grappling with the Norwegian model of corporatism (below).

Many later scholars have founded their theories under Crouch's auspices. Among such, there is one that will be devoted attention in that it continues the division of trade union strength and bargaining strategy based on membership type. Scheuer's continuation consists in expanding Crouch's perspective from merely depicting union strength to also including organizational operations and goals pursued (Fennefoss 1988: 87). Table 1 reveals Scheuer's scheme for ideal trade union types as reproduced in Fennefoss (1988: 86).

Table 1

| | | Degree of Collectivistic³ stances | |
|----------------------------------|------|---|------------------------------------|
| | | Low | High |
| Degree of Professionalism | High | (B) Professionalism | (D) Trade-based Collectivism |
| | Low | (A) Service-orientation | (C) Collectivism |

A brief description of the different groups will follow, as given in Fennefoss (1988: 86-87).

(A) 'Service-orientation': consisting of members who execute a particular task or assignment in their work location, typical to so-called white-collar jobs. The members' loyalty is primarily directed to their employer, and will not favour trade union strategies that run at odds with their employer's interests. Hence, they are not collectivistic in that goals appertaining to the entire industry of their occupation are given but secondary importance. As they are not part of any legal, or effective-but-non-judiciary, profession, they do not fall in the next category.

³ Here, as with Scheuer, degree of *collectivism* signals whether or not a given trade union directs its strategies towards broad goals affecting entire social classes, or even the complete labour force (Fennefoss 1988: 86).

(B) ‘Professionalism’: characteristic of organizations whose members have significant, and similar, educational attainment as prerequisite for their vocation. They have great ease in using their union to pursue goals, due to their – and their union’s – strong bargaining power and market position, and due to member’s likeness. Such trade unions are not expected to engage with strategies applying to the entire labour force; as such attempts most likely would affect their strong position adversely.

(C) ‘Collectivism’: such organizations favour all-encompassing plans for union activity and cooperation with other employee organizations as this will add strength to all groups as they join their resources, and they are also expected to be the most bellicose of all trade union types. Because their counterpart (i.e. employer organizations) have significant means to combat such unions’ militancy, the ease such trade unions have in cooperating across plants, and even industries, is not accompanied by similar real bargaining power.

(D) ‘Trade-based Collectivism’: an intermediary trade union type to category “B” and “C”. These organizations are as collectivistic, as the latter group is; though differ in their exceeding bargaining power due to their attachment to particular trades and skill qualifications arising from such. Just as with ‘Professionalist’ groups, these trade unions may welcome certain trade-specific wage appraisals and are less likely to participate in cross-branch cooperation with other organizations.

Having arrived at Scheuer’s taxonomy, we have acquired a means to analytically identify and address what is, arguably, the defining feature of Norwegian industrial relations and model of corporatism, namely; centralization. Of course, in the well established tripartite nexus of employer organizations, state, and employee organizations, all of Scheuer’s ideal trade unions types are present. We do need, though, to reiterate Crouch’s (1982: 197) point that industrial relations inherently entail and involve macro-political implications and, hence, political intervention external to the bargaining process. This needs to be borne in mind as we now devote a chapter to describing the Norwegian model. The main reason for doing so – except for the obvious benefits of having covered more relevant ground – is that the ensuing section discussing trends of decentralization of collective bargaining will grow on richer soil that way.

3.3 Norwegian Corporatism

This section will establish some main grounds for regarding the Norwegian model of corporatism (i.e. collective bargaining in cooperation between employee and employer

organizations, as well as state representatives) as a centralized regime. The reason for doing so is to present the general features of Norwegian industrial relations that, in fact, do by and large *not* apply all that well to the banking sector this study approaches. This will be further clear with the presentation of the Norwegian financial services sector (section 4 below). The benefits from the exposition stay mainly in knowing what the Norwegian banking industry is *not*.

Traxler et al. (2002: 299) give us an account of how much variation there can actually be within the spectrum of corporatist regimes: Different countries at various times may fall somewhere between classic and lean corporatism, suffice that the regime involves a non-rightist and active state, that restricts market governance of the labour market through demand-side (classic) or supply-side (lean) coordination of wage formation and bargaining mode. The authors also explicate the difference between classic and lean corporatism. In short: classic corporatism involves a Keynesian state that tries to counter inflation level, while the state attempts at lowering comparative labour costs under lean corporatism (Traxler et al. 2002: 160). In any case, centralized corporatism will cause condensation of income gap and moderation of wages. This happens as payments of those who would have had the highest salaries under non-centralized bargaining will “suffer” from general reduction as these fewer and smaller employee groups coordinate their bargaining efforts with the larger lower-income groups. Correspondingly, wage levels will increase for workers with less favourable market-positions. For employers, the effect is that poorly performing plants will run out of business due to increased labour costs of their (previously cheap) workforce. Simultaneously, firms already prosperous will be able to make profit-enhancing investments with capital released from wage reductions in their (previously highly paid) labour pool (Barth et. al., 2003: 45-48).

It is a fundamental premise for corporatist labour relations that the parties bargain collectively at some central level. That is, the employment relationship is “channelled” through the tripartite nexus of state, employer associations and trade unions (Stokke et al. 2003: 214). Of course, the Norwegian corporatist structure is no exception: More than 50 percent of the private sector workforce is unionized – which gives Norwegian membership density a medium to high level in comparison to other European countries. In fact, when removing Denmark and Sweden from comparison, Norwegian figures are almost double to that of other European countries (Østerud et al. 2003). Moreover, the fact that 90 percent of these organized workers are member of trade unions with affiliation to one of the four Norwegian peak-organizations, makes Norwegian labour relations among the most

centralized⁴ (Stokke et al. (2003), all statistics in this paragraph from this volume). Even though this level of centralization allows for extensive coordination of bargaining outcome, the statutory regulations in Norway are limited. In that way, the *voluntarism* in collective bargaining is maintained despite its centralized operations. It is more difficult to give accurate descriptions of membership density on the employer side than it is on the employee side. While one employee makes up one (potential) union member, employer associations organize different types of members (that is, firms will differ in business structure, yet not in criteria for membership)⁵. All in all, the membership density of Norwegian employers reaches approximately 58 percent. Although this figure is not of the largest in Europe, it does not mean that Norwegian employers counteract the centralized bargaining structure. One has to bear in mind the *voluntarism* surrounding collective bargaining in Norway. – Many countries with higher level of membership density on the employer side have corresponding “non-voluntary” arrangement such as compulsory membership, or non-member fees; none of which exist in Norwegian employment relations (Stokke et al. 2003: 47).

This signals that it is predominately the political state involvement in the industrial relations that makes for Norwegian centralization: “at the strategic level, [in Scandinavia,] government welfare policy was designed to be in harmony with labour-market policy, union wage bargaining practices, and government macroeconomic management” (Esping-Andersen and Korpi 1984: 8). One notable example has to do with industrial disputes, where, in Norway, there are formal channels through which state authorities can settle agreements, and the Norwegian state is traditionally the one with the most active involvement in comparison to other states (Stokke 1998: 533). It could even be mentioned that the Norwegian state’s frequent use of compulsory arbitration to end disputes has been condemned as a violation of the basic right to strike or dispute. Criticism on the same grounds has even come from the International Labour Organisation (the *ILO*⁶) (Fennefoss and Høgsnes 2003).

If *wage moderation* is the main incitement for employers to accept centralized bargaining, *strong left parties* in government is maybe the most important spur for employee representatives to engage in centrally coordinated bargaining. In the social democracies of Scandinavia, close links between trade unions and (left) labour parties have a long history. In

⁴ *Membership density* can be measured in two ways. As a percentage of the total number of wage- and salary-earners, *gross* density refers to all unions members; and *net* density, only to employed (not unemployed or retired) union members. The *net* number offers a more adequate measure if one also wishes to quantify union strength (Traxler et al. 2002: 80). My figures, derived from Stokke et al. (2003) are measured in *net* terms.

⁵ Stokke et al. (2003: 45) have measured membership density on employer side by comparing the number of employees in organized firms to the total number of employees in the private sector.

⁶ The *ILO* is an international organization affiliated with the United Nations. The organization is responsible for attempts to improve and harmonize the bargaining and working conditions across the world.

fact, here, unions were instrumental in founding them. The Norwegian *LO*⁷ still supplies financial support and leading candidates to the Norwegian Labor Party (*DNP*⁸), the intimate affiliations have, however, recently loosened somewhat (Western 1997: 67-69).

Leaving out detailed accounts of the different trade unions and employer associations we can abbreviate as follows. There are, as stated, few legal arrangements encompassing the collective bargaining structure, and collective agreements between employers and employees follow a pattern of negotiations. This implies that there is extensive freedom of bargaining and of association in the Norwegian employment relationship. Additionally, there are no legal regulations on wages in Norway⁹, meaning that wage levels (even minimal wages) are settled by collective agreement (Stokke et al. 2003: 69). Furthermore, members of organizations both on the employer side, and employee side are to a high degree organized in the respective peak-organizations, and thus partake in central bargaining rounds. There are three bargaining levels in Norway, distinguished by level of negotiations (Fennefoss & Høgsnes 2003: 2-3); namely, (i) *Central* rounds (national), usually every two years. All negotiating parties are coordinated irrespective of branch or sector, with the aim of nationally leveling out the balance of the various sector-wise agreements. (ii) *Sector* rounds (national), usually every two years. This round concerns the total revision of the different collective agreements. Although sector specific, these rounds too involve several centrally coordinating factors¹⁰. (iii) *Local* rounds, confined to firm or plant. What distorts the picture somewhat is that many sectors in the Norwegian economy enmesh the different bargaining levels in various combinations.

The Strong State

The final defining feature of Norwegian employment relations here canvassed is also the most general and overarching. The political platform upon which employees interact with the state is that of the Social Democratic regime. When following Esping-Andersen's (1990) attempt to separate all modern welfare states into three groups by extracting their economic and political basic logic, all Scandinavian economies fall in this social democratic group. Esping-Andersen's point is that the very nature of a welfare state is determined by how the economic responsibility for citizens' wellbeing is divided between the state, the families, and the market

⁷ "Landsorganisasjonen I Norge" (*LO*) is the largest, and oldest of the four Norwegian employee peak-organizations, founded in the 1890's (Stokke et al. 2003: 23).

⁸ Norwegian initials for "Det Norske Arbeiderparti".

⁹ There are some exceptions: It is prohibited by law not to pay wages; perform wage discrimination; or to withhold wages in case of bankruptcy. Also, the law guarantees that overtime work is paid by wage increments in percentages of normal wage (Stokke et al. 2003: 57).

¹⁰ One of such factors is the mediating and consulting role played by the state during *sector-wise* bargaining rounds.

(Esping-Andersen 1990: 26). Common to all Scandinavian democracies is, according to Esping-Andersen, that the state actively offers social insurances and provides universal support to workers as well as non-workers, and thereby *de-commodifies* labour. De-commodification does not mean that participation in paid labour is not an economic necessity for households' wellbeing – on the contrary, expenditures are so high in Scandinavia that only some few households manage to sustain livelihood on one income, in contrast to many families in Continental Europe (Esping-Andersen 1990: 26-28). Another way to describe the social democratic de-commodification of labour is that workers (and citizens in general) will receive, more or less, the same rights, insurances, and entitlements to pension plans, irrespective of their participation in the labour market. Consequently, Scandinavian employees are less dependent on *any particular* employer to make his, or her, own subsistence – whether in terms of payment, or indirect necessities, such as pensions and health insurance etc, than are workers in other welfare regimes.

Norwegian workers are further pushed within the state's remit by the fact unemployment benefits are provided by the state and not by the trade unions. Bruce Western's (1997) comparative study of all western democracies reveal that unions who are responsible for unemployment insurance – also called the 'Ghent system' – experience favourable membership rates as even unemployed workers are incited to organize. The strong level of centralization of Scandinavian employment relations coincide with the existence of a 'Ghent system', in every country except for Norway – who does not have such arrangements (Western 1997: 89). This means that the fairly high level of union density, and the broad coverage of central bargaining agreements in Norway, must originate from other factors than the detected impact of having a 'Ghent system'. Even though the level of unionization is slightly lower in Norway than in the remaining Scandinavian countries; the rate exceeds what one would expect from a country without a 'Ghent system' (Lismoen and Stokke 2004). Two traits present themselves as explicating in this regard. The one is that as much as thirty percent of the Norwegian workforce is employed in the public sector¹¹, where most workers are automatically organized (Stokke et al. 2003). This pattern of employment, of course, sustains Norwegian union density rates and centralization of corporatism.

The other reason as to why we witness the fairly high level of unionization in Norway can best be stated aphoristically as a 'virtuous circle' of *centralization* (see, for instance Barth et al. (2001: 61)). In brief, the Norwegian state needs to have its population in something

¹¹ <http://www.ssb.no/norge/tertiar/main.html>

close to full employment, both in terms of political legitimacy and for the simple sake of collecting the tax money needed to support the massive social democratic public expenditures. The same authors explain that full employment (or, at least, very low level of unemployment) can only be attained by cooperation with employers, and by centrally coordinated wage bargaining rounds. In order to achieve full employment, state, union(s), and employer representative(s) need to cooperate, and compromise: Unions trade off high salaries to highly educated member groups for high wages to their least educated members; employer organizations dismiss attempts at market-set wages for low paid workers in exchange for lower paid highly educated employees. In short, the common ground where unions and employer organizations can meet is that of *wage compression*. This, in turn, depends on highly centralized bargaining rounds wherein the parties are offered insights and possibilities to influence the political course, and state involvement in the employment relationship. To further expand the picture of *centralization*; the co-existing relationship of full employment and wage compression is accomplishable only insofar as both unions and employer organizations are consorted under one (or a very few) peak-organizations (Barth et al. 2001: 119). As will shortly be mentioned in the passage on ‘decentralization of wage bargaining’ (chapter 3.4, below), some contend that all countries’ industrial relations are moving away from such centralized functioning.

Esping-Andersen (1990: 26-28) expands the picture by explaining how the same complementary relationship is founded at the micro-level among the Norwegian populace: high taxation depends on full employment, and high taxation reduces wages so that few households can afford to have adult family members outside of waged labour – including women. (If we disregard differences in full- and part-time employment, Norwegian women’s participation in the labour market is almost equal to that of Norwegian men (Leira 2003)). As stated above, the high level of labour participation of Norwegian women partly reflects the need to have all adult family members working due to high living expenses, and partly how wage dispersion is less in Norway than elsewhere. However, the active role the state has played in educating and encouraging women to participate in the labour force must also be given due attention among the explaining factors.

Sum Up

In summary, it seems fair to ascribe a prominent status to *centralization* of the employment relationship when inducing what stands out as “Norwegian” in Norway’s industrial relations. As sketched out in short above, that centralization imbues many important aspects of the

employment system: (i) the relationship between Employer Representative – Employee Representative is centralized by means of central bargaining in most industrial sectors, because most trade unions and employer organizations are organized in a few national peak organizations (ii) the State and employee representatives collaborate in advance of bargaining rounds in forums for mutual political planning (in Norwegian, *Det tekniske beregningsutvalg*); moreover, there are traditional bonds between the largest trade union and the Norwegian Labour Party, implying that the former has been able to shape and intervene with strategies and agendas of trade unions, whereas the latter is acknowledged some influence on the political aims of the biggest political party in Norway (iii) the Norwegian State inflict the Norwegian employment Relationship more than what is common for almost all remaining western states, for example by the frequent use of compulsory arbitration in case of negotiation deadlock (iv) a fundamental decoupling of workers from any particular employment makes has been aspired by political reform in Norway – as in all social democratic countries – so that the state has de-commodified Norwegian employees, as far as rights and protection of workers go.

In rounding up the discussion of centralized coordinated bargaining activities between peak organizations in Norwegian industrial relations, one more facet proves pertinent. Norwegian ‘pattern bargaining’ is what is being referred to in this regards. Sector level bargaining in Norway has a tradition of following the wage guidelines established by the *Basic Agreement* of some chosen sectors who conclude bargaining before the remaining industries. Usually, the agreement serving as wage mark-up is the *Engineering Industry Agreement* (in Norwegian, *Verktedsoverenskomsten*), though other agreements may also be included. Because this agreement render wage levels inferior to those one would expect from other industries, the result is, in effect, a compression of overall wages around the mean wage level since following agreements concluded within the remit of the one peak-employer organization (*NHO*¹²) and the largest peak-employee organization (*LO*) limit their wage increase in accordance to the negotiating forerunners. The ‘pattern-bargaining’ model has not unfolded successfully during many of the latter bargaining rounds (Torp 2005: 19).

To our study the ‘pattern bargaining’ is most likely the most interesting feature of Norwegian centralized corporatism. This is because the banking sector does not participate in “higher” level bargaining than on industry level, but does comply with the ‘pattern bargaining’ model when settling wage levels.

¹² Norwegian initials for “Næringslivets Hovedorganisasjon”.

3.4 Decentralization of Wage Bargaining

”It now appears, however, that what we call ‘centrally co-ordinated decentralization’ (...) has been the major tendency. Decentralization has largely taken the form of a controlled and coordinated devolution of functions from higher to lower levels of the system[.]” (Ferner and Hyman 2001: xvi).

Opinions in opposition to this citation contend that market pressure alone cannot alter the fundamental institutions in labour relations – rather shapes, and is itself shaped by them – is also commonly held by observers of the Norwegian bargaining system. Amongst the most prominent Norwegian investigations completed, we find conjectures of an unaffected and viable system of industrial relations in future Norway (e.g. Dølvik and Stokke 2001: 23), more ambiguous assertions maintaining how countervailing tendencies make predictions frail (e.g. Dølvik 1997: 9; and Stokke et al. 2003: 279), and those describing how the intricate Norwegian system *may* completely self-obliterate due to its own complexity (e.g. Barth et al. 2003: 131).

It seems as if there is broad agreement on how to portrait the *past* Norwegian system of collective agreement, so it is mostly descriptions of *future* developments, and (to some extent) of *present* trends that are debatable. It should definitely be noted that the debate in a Norwegian context, applies to considerations of industrial relations in an international perspective as well. In fact, a whole body of literature with an international scope is devoted to the discussion of whether or not (international) market forces will ultimately eradicate national differences in the structure and functioning of employment systems. The alternative view is that markets alone are incapable of homogenizing nationally divergent employment systems, since market forces are channelled through established systems of employment relations. While the former perspective can be ascribed to mainstream economic analysis, Dølvik (1999: 16) has argued in favour of the latter, claiming that the same economic pressure may be dealt with in several different ways. Similarly, Traxler et al. (2002: 15) illustrate the span of different predictions in a two-sided continuum stretching from neoclassical economics to the school of corporatism. On the first side of the spectrum, markets are assumed to decentralize national institutions in the coming years, summed up by the authors under the title ‘convergence thesis’. The opposite view, which was presented by reference to Dølvik (above), they term the ‘path-dependency thesis’.

The debate as to whether or not contemporary industrial relations are fragmenting and decentralizing is, of course, entirely relevant to investigations of centrally bargaining Norwegian industries. What is, though, the case is that the industrial relations of the financial services industry – subject to our attention – are not found among the most centralized sectors. When we devote space to an exposition on the decentralization debate it is mainly to make way for broader analytical considerations, as much of what is being claimed from scholars is already appertaining to our industry under scrutiny. The ‘path-dependency thesis’ needs less elaboration here than does the ‘convergence thesis’ because the forerunning exposition of the Norwegian centralization (chapter 3.3) has it in it to elucidate the centralized details to grasp the complexity of the Norwegian corporatism that would have some assume its perpetual existence.

Why Convergence?

Traxler et al. (2001: 105) traces the theoretical logic of decentralization to a basic asymmetry that exists between the employer and employee side in collective bargaining. Simply stated, employers, backed by their management prerogatives, most likely prefer individual over collective bargaining as this enhances their potential to determine wages in accord with their company-specific policies and goals. On the other hand, employees are provided with additional power bases when their side of the bargaining process is conjoined in centralized coordination because their wage claims in that way will be impossible to neglect by employers. Hence, the last party to the bargaining process, namely the state, is held responsible for *centralized* industrial relations – wherever those are found present. That is, without government aid and vouchsafing of the collective parties there would be not common basis to found centrally coordinated bargaining on.

There is more to the story, though. Even though it is the lower paid groups on the labour-side that ideally is expected to benefit from centralized coordination of industrial relations, such alignments undercut important differences from within the ranks of employee groups and their representative organizations. In one phrase, ‘interest heterogeneity’ of trade unions will be neglected in centralized bargaining rounds. Because employer organizations will, inherently, welcome decentralized bargaining procedure, the pressure towards deregulation of centrally coordinated industrial relations is ever present. Since international markets may alter the states’ means of preserving a regulated regime, scholars within this perspective are, in essence, expecting states industrial relations to *converge* towards a single logic, as the market that substitutes existing arrangements are similarly inflicting and

moulding the industrial relations in all countries at once (Traxler et al. 2001: 106-108). This single logic being, of course, decentralized bargaining.

If such changes only took place in certain internationally exposed industries there would be no need to predict a whole scale reshaping of all bargaining. The point stressed by other observers is, however, that a centralized bargaining model – such as the Norwegian one is – depends on broad support in order to stay intact. When some industries opt out from centralized negotiations it is impossible to maintain the system centralized in the long run (Barth et al. 2003: 131). Following that claim, one could imagine the end of centralized arrangements in, at least, particularly competitive and internationally exposed sectors of the economy.

Why Path-Dependence?

The challenging view holds that the different industrial relations settings will not resolve into one deregulated structure in unison across all countries. What makes some expect continuous divergence of national bargaining structures is the lock-in of all bargaining actors in certain idiosyncratic institutional settings peculiar to their country, due to the complex connections of corporatist regimes. Traxler et al. (2001: 110) find some immediate empirical proof for this supposition in that the tendency of decentralization that did, indeed, sweep across many countries during the eighties and nineties did mostly alter industrial relations where those were already moving in that direction. Most commentators trying to reveal the tenor of Norwegian industrial relations assume path-dependence-like developments, as a matter of the well-established structures enveloping the centralized bargaining structure (see chapter 3.3). As we, in this study, focus exclusively on the wage dimension of one specific industry, we shift the focus of decentralization over to assumed economic imperatives imbuing certain sectors, and leave out any additional descriptions of the sectors most prone to “path-depend”.

The financial sector is, arguably, not amongst Norway’s most in-locked in centralized settings, and it presents itself, today, as among the transitory economic industries. In other words, among sectors that do not seem to “path-depend” too strictly. There are significant characteristics imbuing modern and modernizing industries, so a conceptual clarification of the “new” economy will be afforded in order to depict the economic peculiarities of the financial services industry soundly later on.

The “New” Economy

States have traditionally been the single largest financial actors, though today, counties are no longer able to control their own financial sector or even their economies alone (*Sector Futures*). When states are bereft some of their financial autonomy, one would, of course, expect less ground on which to base centrally coordinated industrial relations. Whence were some large and modern companies freed of central restraints?

Fligstein (2001: 155-156) contends that the logic of all large and international businesses have changed dramatically during the course of the last three decades, wherein financial institutions have played a pivotal role. To anticipate the discussion; Fligstein views the transformation of ‘conceptions of control’ from a *finance-* to a *shareholder value* conception. The former, allegedly, predominated up to the late seventies in large global (as well as local) corporations, whereas the latter has gained foothold since then. The mere nominal difference alone may not be all too explicating, though. The important contrariety between the two conceptions can be properly presented by separating the two conceptions in accordance to two distinct firm practices to which the two adhere respectively. The first one – corresponding to the financial conception – being a *management* control form; the second being the *owner* control form – matched by the shareholder value conception.

Following Fligstein (2001) a watershed, sometime during the late seventies or early eighties, simultaneously altered huge international firms’ financial procedures and their authority forms in the consecutive way. The decisions made at specific businesses, which had hitherto remained in the hands of management, were suddenly – as a matter of a new organizational rhetoric coming from economic ‘agency-theory’¹³ – regarded as large firms’ weakest spot. The danger to businesses, as according to this new intellectual current, originated from the decision power enjoyed by managers who were thought, after all, only to be interested in protecting their jobs and would hence fail to engage in the risky financial ventures that were considered crucial to the survival of modern businesses (Fligstein 2001: 125). In short, the late-seventies’ advocates of *owner* control feared the possibility of managers’ opportunism which they thought incurably debilitated extant corporate hierarchies, and this weakness they wished to combat by diffusing firms’ decision making abilities to

¹³ Agency theory concerns the relationship between a principal (shareholder) and an agent of the principal (company's managers). Essentially the theory involves the costs of resolving conflicts between the principals and agents and aligning interests of the two groups.

more than one (or a few) hand(s). The remedy was found in the financial opportunities inherent to the stock market. The doctrine of the shareholder value conception of control is that firms' only legitimate purpose is to *maximize* (not merely *increase*) the value of its owners' shares (i.e. the return on stockholders' investments). The main indicator as to whether or not managers have succeeded in their strategies is in that way the share price of the firm in the stock market (Fligstein 2001: 148).

The most immediate experiences to managers under a shareholder value conception of control regime are that, on the one hand, their discretionary power will be drastically reduced; and, on the other hand, expectations as to what financial manoeuvres will be expected from them from the actual owners (i.e. shareholders) are quite movable. The larger picture is then that a market guided by the shareholder value conception of control will be less predictable and stable than alternative markets, and its actors will regard the exact contents of any investment with more *indifferent* eyes than their more traditional peers. A typical example of indifference of investment is ignorance to whether an operational task is integrated in the firm; outsourced; or bought from external producers. Under managerial control, attempts to maintain as much as possible of activities and production in-house is expected. There will be no further exposition of the underlying causes to the new conceptions of control. Suffice to state that, according to Fligstein's reasoning, markets with an international ambit; wherein actors may benefit from vast economies of scale; and (hence) are coupled with financial institutions, are natural sites for ownership control, and share price measures for firms' economic achievement. Needless to say, a modern financial institution will find itself at the heart of this "new" market. Both in term of own economic action, and due to its role as the locus through which all other market actors need to channel their investments. Having arrived to this point in our annotation, the resemblance of the ownership conception of control to another claimed development in the modern economy generally needs to be presented in order to move the attention to the industrial relations in the financial services industry in Norway in particular.

There have been several attempts at presenting the most plausible dichotomy of alleged "old" and "new" economic regimes, though only one is here found to present itself as the direct complement to Fligstein's, and this is the sole perspective to be dealt with here. What is being hinted at is the, by now, long extant literature subsumed under the heading of *flexibilization*. Initially, these theoretical endeavours tried to grasp what economic imperatives that laid behind some emergent business practices dating the mid-seventies that broke with a traditional pattern of mass production. Until then, economic profits seemed to be completely

contingent on large corporations with integrated production chains. Several agnomina have been applied to different aspects of this way of operating, such as ‘Fordism’, ‘Scientific Management’, and ‘Taylorism’, but they all designate a resembling (if not the same) fundamental logic, wherein management runs the business in a strict bureaucratic hierarchy with minute descriptions of employees’ tasks, and large assemblies of completed products warehoused in order to serve any sudden rush of demand (Wood 2003). Those, at least, were the academics.

The system held to be mass production’s successor allegedly presented a logic so fundamentally different to that of its forerunner, that theorists of conflicting opinions have both acknowledged the benefits from its arrival (e.g. Asheim and Isaksen 1995) or altogether bemoaned it (e.g. Sennett 2001). All the characteristics presented above pertaining to the “old” economy have been declared as counterworked by market demands from the “new” and *flexible* economy, by making it profitable to break with the old pattern. Expressly, new consumer demands along with sophisticated inventions in information technology have been held to dismantle the bureaucratic structures of corporations by making it more profitable to offer operational leeway to workers; and fluctuating demands from customers no longer seemed to make warehousing reasonable. But again, that for itself is mere theory, and Wood (2003) advises us not to accept the alluring division between these two alleged logics at mere face value, since the “old” economy did indeed comprise of several *flexible* firms and business practices, just as the “new” economy continues to mass-produce several products and services.

To our analysis it suffices to observe that when firms grow through mergers or acquisitions, they do so due to economic benefits from some form of economies of scale¹⁴. The aggrandizement of an establishment will then involve one – or both – of two ideal logics that may be distinguished from one another by their sequential nature in the production process: If a firm chooses to incorporate activities that take part early in production, the economies of scale will depend on the stable and predictable delivery and refinement of goods. Intuitively speaking, such mergers correspond to what commentators dub the “traditional” (viz. bureaucratic) organizational structures. Reversely, firms may increase in size and jurisdiction by incorporating later activities as well. When doing so, commercial pursuits that occur more proximate to actual purchasers – activities such as advertisement,

¹⁴ When production output and, hence, production income increase more than just proportionately with enlarged production, costs of production rise less than output and average costs fall. In such circumstances there are net benefits of running large productions (Stiglitz and Walsh 2002: 144).

customer services etc. – are included in the corporation's tasks. The firm will, under such circumstances, need to stay flexible. For the sake of clarity, we state that the economic imperative when incorporating production processes in the firm is to organize bureaucratically. Correspondingly, firms that incorporate later production sequences or commercial endeavours are impelled to stay flexible enough to alter their output in accordance to changing customers demand. The first imperative matches what the literature has termed the “old” economy; the latter fits descriptions of the “new”. When customer demands on the one side, and the stock market's pricing of the firm on the other are followed by firms, they will inevitably need to keep output and running procedures amiable. In order to do so, the flexible organization functions as a conglomeration of fairly autonomous establishments within the same firm.

New Organizational Strategies

The organizational literature dealing with what we have here called the ‘new economy’ has for some time altered the strategic prescriptions for how management should relate to their employees. The inherent difficulties of approaching workers in purely “mechanistically” (as in the abovementioned ‘scientific management’ commandments) have been well perceived by scholars for many decades (Thompson and McHugh 2002: 43). Under headings such as ‘Human Resource Management’ (*HRM*); theoretical attempts to console employment policies with latest economical developments have reached new heights in the academic consciousness the last twenty, or so, years. A common thread in *HRM* business tactics is to enlist individual employees’ inherent skills and workplace wisdom, rather than restricting their work performance by particularly targeting work assignments. The argument is that, by doing so, managers will have the ability to adjust and alter their business strategies to economic demands, as well as they will benefit from workers own experiences from their employment. Of course, *HRM* theorists are well aware of the crucial role motivation plays in this regards, and payment is pivotal among motivational instruments (Barth et al. 2005: 3). As such, individualized targeting of management efforts is intended to match flexible work adjustments regarded as crucial in the ‘new economy’, and, consequently, payment follows an individualized ideology. Because the individual, instead of the worker-collective is approached under *HRM* guidelines, such strategies are also reflected in anti-unions stances on part of theorists and their management adherents (Bratton and Gould 1994: 17).

The idea of engaging in collective wage bargaining is inconsolable with *HRM* insofar as such wage settlement inhibits an individualized and unitarist philosophy employment

policy. If nothing more, the centralized components of collective bargaining are at least not favoured by modern businesses adhering to *HRM* tactics (Thompson and McHugh 2002: 53).

Granted the importance of payment as instrument of worker incitement in modern individualistic organizational strategies; and granted the crucial part wage settlement has in central (as well as local) trade unions' behaviours and pursuing; we will note that there are close connections between organizational strategies and collective bargaining support.

Decentralization and Individualization of Pay Settlement – the Norwegian Case

In a fresh anthology (Torp (ed.) 2005) covering the main areas of Norwegian industrial relations in terms of recent trends, several points, made by different authors, have illuminated how some instances of decentralization are witnessed in the hitherto centralized Norwegian corporatist model. Some findings therein particularly relevant to pay-related issues will be communicated in the next two paragraphs. As is by now apparent, developments in work organization may compellingly be expected to be accompanied by alterations in wage settlement.

Barth and Ringdal (2005: 18-19) conclude that an increase in *functional*¹⁵ flexibilization (confer the discussion of the 'new economy' above) among Norwegian companies the latter five years most likely reflect an emerging endorsement of new organizational theoretical paradigms, rather than changes in economical structures and imperatives. One immediate inference is that changes in employment organization may arise from theoretical conviction as much as from market forces alone; partly in contrast to what some convergence theses would have us assume. What is more interesting to our discussion is that some changes in the managerial stances of Norwegian employers seem to give their display.

A rendition from Ringdal et al. (2005: 11) findings further caters our analysis. These authors found that new, and more individualized, forms of managerial approaches have emerged among Norwegian companies in the service sectors. Notable to us, this has most strikingly been the case in financial services companies. And Barth et al. (2005: 17) reveal how said managerial developments have been accompanied by the emergence of individualized forms of payment. Allegedly, this has not been a uniform occurrence, rather more isolated to industries where collective agreements have already for some time been

¹⁵ In contrast to 'numerical' flexibility – which is basically a matter of increasing the speed of workers' turnover rate through shorter term employment contracts – 'functional' flexibilization has to do with conferring rapid task reallocation on permanent employees (Bart and Ringdal 2005: 2).

weak or, even, absent. Still, even in centralized sectors, decentralized wage determinations have been enacted – in Norway as well as in other Scandinavian countries. This has, for instance, been witnessed in the highly centralized industrial relations of the public sector of Norway (Jordfald and Stokke 2006) and Denmark (Ibsen and Christensen 2002). When these trends are analyzed, a pertinent question relates to what the real, or net, consequences of such trends will be to the overarching bargaining climate. Is it, for instance, possible to envisage ‘selective decentralization’ (Jordfald and Stokke 2006: 50), where significant central wage control is maintained in spite of some individual settlement? The question is more appropriately raised in relation to the extant centralized sectors. As far as our investigation is concerned, the suitable choice remains to canvass the coexistence between full-scale decentralized wage settlement and modern trade union roles within such.

This is largely because we investigate a sector (as will soon be elaborated) already somewhat decentralized, and will be analyzing empirical material from two instances of further decentralization within this sector. Theoretical contributions dealing with new trade union roles are in this way wanted. Put simply, decentralization of wages are better expected to be accompanied by deregulation of the bargaining structure (Fennefoss; in unpublished lecture notes) as far as our particular study is concerned. The preceding discussion has, hopefully, given pre-eminence to the view that there is difficult to coordinate modern, or “new”, businesses centrally in that their organizational logic is less compatible with centralized industrial relations than are more traditional ones. Throughout section 4 (below) the modern banking industry’s position within the ‘new economy’ will be targeted. The attention now turns to claims made to new, and non-centralized, areas for trade union functions. The two theoretical contributions dealt with are held to offer suitable prescriptions for trade union activities in decentralized sectors, and are pertinent to assertions of the contemporary Norwegian banking industry at that.

3.5 A New Role for Trade Unions?

This paragraph will follow Calmfors et al. (2001) as their work focuses on the contemporary trends and future role of all European trade unions. The authors also bring their conclusions in line with our preceding discussions of “new” organizational practices (under chapter 3.4), in that they establish the non-favourable climate for unions when they organize members from

competitive labour markets and are being employed in service industries¹⁶ (Calmfors et al. 2001: 59). Moreover, because unions are labour-intensive¹⁷ service organizations, they have limited capacity to increase productivity of their services afforded through technological innovation (Calmfors et al. 2001: 42). The authors are perceptive to the modern non-bureaucratic ways of organizing companies in conglomerations of semi-autonomous establishments (see final paragraph of chapter 3.4 on the ‘new economy’, above) and continue with explicating the raised costs for cross-plant unions: This infliction is due to their loss of traditional economies of scale from large plants as modern businesses decentralize their organizations and as services – instead of industrial products – are their main output (Calmfors et al. 2001: 43). In traditional sectors consisting of some few large employers, trade unions had ease in both attracting members at each plant and in centrally coordinating all members. When businesses follow “modern” organizational procedures a greater importance is placed on local bargaining in suspense of central arrangements (Calmfors et al. 2001: 50). The more fragmentized businesses operate; and the more service-oriented output turns; the more difficult it is for unions to coordinate all members, due to the increased competitiveness between employees and between employers (Calmfors et al. 2001: 59). Consequently – and in concord with Barth et al.’s (2004: 54) depictions of wage *suppression* between high- and low-paid sectors under centralized bargaining – the authors conclude that decentralization of wage practices will lead to within- and across-sector wage variation and is expected in internationally competitive sectors (Barth et al. 2004: 71). This will remove an important previously held factor of trade unions’ strength.

The final verdict of the authors is that decentralization is the likely trend in an increasing number of industries, with due challenges and demands for trade unions’ provisions (Calmfors et al. 2001: 132). Thus they propose an intensification of trade unions activity that is more *indirectly* related to the exact fixation of payment, such as legal advisory functions to members when members no longer support cross-plant wage harmonization (Calmfors et al. 2001: 69). To be sure, they expect employer organizations as ever present vehicles behind decentralization (Calmfors et al. 2001: 118), so no attraction of centralized pay settlement will exist from either side of the bargaining table the moment employees no longer favour such arrangements.

¹⁶ The two points are fairly connected in that service-industries are, *ceteris paribus*, expected to be more competitive than product-industries due to the former’s detachment from any particular production site.

¹⁷ Requiring or having a large expenditure of labour in comparison to that of capital.

Marsden's Proposal for *Procedural* Trade Union Intervention

There is a seminal proposal as to how to “fill” the crevice emerging between central and local wage settlement arriving from a different scholar. David Marsden (2001) asseverates that modern trade unions – or, in a phrasing more suited to our investigation; trade unions within modern economic sectors – should focus attention on plant-specific details, rather than on sector-wise, as far as wage settlement goes. The exact way *modernized* trade unions are advised to operate, according to Marsden, is less “exact” because his testimony recommends that trade union intervention in the *procedural* operations of local pay systems should supersede traditional attempts to establish *substantial* (i.e. nominal) wage standards. By doing so, trade unions will, inevitably, shift their attention from central to local level under pay settlement.

Even though Marsden (2001) is targeting ways to change trade union functions in accordance with new challenges and structural demands in the labour market, he also states that traditional union operation have suffered from an incapableness inherent to the idealized way they (used to) approach members’ and employers’ needs. The key principle of trade union regulation of workers payment has hithert been – so Marsden says – the ‘common rule’. One of this rule’s most important manifestations is the idea that unions should try to establish common rates of payment for particular types of work; based on the fallacious assumption that employee performance is determined by the job. Marsden echoes our previous discussion on the ‘new economy’ as he continues with a declaration that the illusion – that work descriptions produces worker effort – is no longer sustainable as companies have altered their organizations along more flexible and de-bureaucratized lines.

By abolishing the ‘common rule’ principle, trade unions will be able to function as an abridgement between employees and employers at each firm respectively, something that will involve a shift from centralized regulation to an enhanced shop steward role (Marsden 2001). Furthermore, shop stewards too should alter their representative behaviours from away from ‘common rule’-like attempts in wage settlement, and function as intermediaries between employers and employees along *procedural* lines. There are two primal procedural vacant positions awaiting shop stewards’ intervention at present according to Marsden. Firstly, both employees and employers would benefit when the local trade union representatives adopted a permanent role of *monitoring* companies’ pay system. Secondly, shop stewards should serve as *mediators* conveying workers’ dissatisfactions with pay system to employers. Common to both functions is a refraining, from trade unions, from any influence on the exact wage levels and wage distribution within corporations.

Marsden (2001) subsumes the new role under the label of ‘procedural justice’, and is in that way echoing the sociological assumption of ‘norms’ given in section 5.a. (see section of ‘theories of remuneration’ above) wherein the inevitability of non-strategic wage considerations in every wage bargaining situation. By following Marsden we would hence assume that there has, at least in some industries, occurred an alteration of conviction regarding what sort of pay determination is fair. Conceptions of *fairness of payment* are inherently vague (Calmfors et al. 2001: 63) so one could imagine a whole range of different articulations of it at different times and at different sectors. Høgsnes (1999: 48) contends that this has, indeed, been the case in the industrial relations of Norway.

Our rendition here is, then, that in certain decentralized sectors – predominated by new forms of work organization – an emerging conviction of just payment may call for procedural ways of trade unions intervention in pay settlement.

Summary

This section has covered a lot of theoretical ground during its course towards the establishment of a united backdrop. Only climaxes from the exposition will be repeated.

Firstly, the sociological perspective on remuneration was held as compatible with collective (e.g. trade union lead) attempts to influence wage settlement. The fact is that that wages in collective bargaining is not merely a question of nominal and real augmentation of wages, but stand in relations to other wage levels in the labour power, in the same way as principles of justice will have a *relative* significance to those involved. When investigating present day labour markets, these relative aspects of payment, meaning wage level of one group vis-à-vis other groups, cannot be neglected (Høgsnes 1999: 13) – and so neither can trade union activity.

Secondly, the section offered a template to distinguish and analyse trade unions and their activities rendered from Scheuer, as his scheme elaborates Crouch’s usefulness criteria without regarding the trade union’s and its members’ goals in isolation from one another. When it comes to the banking industry subject to this study’s attention, the predominant feature of *centralization* that characterizes Norwegian corporatism is not strikingly applicable, and this exposition was given mainly to position “our” sector in a wider environment. Through an attempt to combine many theories grappling with larger trends of restructuring in the modern economies, the section concluded that there is difficult to coordinate modern, or “new”, businesses centrally in that their organizational logic is less compatible with

centralized industrial relations than are more traditional ones. That conclusion was, in effect, an announcement that trade unions would be likely to witness altered role demands in sectors such as that of banking. Put differently, the theoretical synthesis postulated that industrial relations in the Norwegian banking sector share with certain decentralized sectors – predominated by new forms of work organization – pressures on existing and traditional forms of trade unions intervention in pay settlement.

Finally, some very specific scholarly perspectives were presented. Most importantly, Marsden was claimed to give a plausible round-up of all theoretical considerations of the section, in that his framework includes trade union roles in relation to payment and in relation to issues of larger economic nature. A recapitulation is that Marsden suggests that modern trade unions should comply with a “new” ‘procedural justice’ principle, which directs a strengthening of company level autonomy (that is, shop stewards) stronger emphasis on trade union intervention in procedural pay system matters than in substantial. Marsden’s claims will recur in ensuing discussions of the empirical material of this study.

4. The Banking Sector; an Introduction to its Norwegian Institutions

This section intends to provide a basic familiarization with the institutional setting of the Norwegian banking industry. In order to give a sound overview, the depiction will circle in on the concrete details of the industry after some abstract and general accounts. A backdrop of the financial industry – however brief – will be provided so to thicken all proceeding accounts.

4.1 Inauguration

Meir Kohn's (2004) text book can provide us with the most basic principles of the financial industry.

Lending, insurance and forward transactions are all forms of trade, just as plain barter is, and businesses and households accumulate precautionary reserves to protect themselves against fluctuations in income or spending, as well as they do borrow to make other investments (Kohn 2004: 17-18). Banks are indispensable to such activities, in that they are the ones to accept the deposits and to offer the loans. Historically, banks have developed from five main types of institutions: payment processors, merchant banks, securities firms, chartered banks, and near bank organizations. Today, bank institutions combine all those tasks within singular corporations, and, if nothing else, task separation is a matter of functional differentiation *within* the enterprise. Furthermore, banks have evolved progressively along three dimensions. Those being; the type of lending they do (i.e. their assets), the type of borrowing they do (their liabilities), and the additional activities in which they engage. In their search for profits, banks have themselves forged their own path of development by continuously penetrating new areas in the economic sphere, partially by fighting governmental restraints imposed on them (Kohn 2004: 166).

In the various attempts sociologists have made in describing and explaining the advent of western civilization, Geoffrey Ingham (2004: 27) laments that the crucial role banks and the financial market have played in modernity and modernization have been regrettably neglected. To Ingham it is apparent that rapid monetary fluctuations and important availability of reserves that accommodated the industrial revolution would not have become were it not for banks' capacity to distribute and guarantee debt so that both creditors and debtors can make use of *the same money* simultaneously. That is, banks are the institution to make the

same money available as a borrowed asset for the debtor and as an outstanding asset to the creditor. To function in this way, banks have been in need of two facilitators; government permission to safeguard monetary deposits (mostly by granting licenses to so-called ‘Chartered banks’) and a stable financial environment of similarly functioning banks (i.e. the financial market). Regarding the latter point, banks could not operate as they do without the possibility of themselves making loans and distribute debt within the financial market, and make use of each others assets and deposits. Following Fligstein (2001: 69) we can thus say that banks, when able to perform their due tasks, function in an environment of stable ‘conceptions of control’ (i.e. the prevalent convictions of proper business practices amongst firms in the same market segment) sustained by each others’ monetary obligations and trust.

Returning to the first point, the one of government permission, some drastic shift have occurred recently. The tendency in the worldwide financial industry from the 1960s onwards has been one of financial liberation and a general relief of government regulation of banks. Kohn (2004: 196) traces the development to three factors: new discoveries of profits through economies of scale (that is, from corporate expansion); new technologies of communications; and the mentioned government withdrawal of inhibiting legislation. Recapitulating the discussion from section 5 d. (above) on the ‘new economy’, we will continue by asserting substantial aptness of ascribing the present day financial industry as one of such.

The Present Day Financial Services Industry

The financial industry, for one, has undergone some radical alterations the last couple of decades, and that the changes have, to a degree surpassing coincidental resemblance, been pointing towards increased *ownership control* and operational *flexibilization* of the firms (see discussion in section 5.d. for clarification of terms). More, financial institutions have been positioned in the centre of gravity in the emergence of new governance structures and work organization because financial inventions and financial market reshapings are responsible for such developments. Whether or not the different economies of the world now are inexorably connected to a common “global” market or not, the fact that finance and financial services are in their essence predominately *international*, and their role as main engine in the drive towards increased cross-border connection of remaining industries, stands undisputed. Moreover, the intensification of international trade the last decades has not only been accompanied by, but contingent on financial innovations, and the inclusion of different services of finance within singular corporations (Dicken 2001: 399-400). As government restrictions on financial undertakings have been appeased and, in many instances, by-passed

by new financial procedures, at the same time as international trade has recovered the last fifty years – including foreign trade in services and direct and indirect investment – flexible organizational form in financial firms have found root (Kohn 2004: 182-184).

States have lost much fiscal autonomy in this process, though they have not abstained from international speculation. Rather, states now find themselves as participants in international trade and speculation in the global financial market. This shift of power has been brought about by intensified global competition and accompanied by the weakening of trade unions and the creation of fluid labour markets in western countries (Ingham 2004: 150). The focus will now, finally, turn to the occupational situation of contemporary employment relations in banking.

Labour in the Present Day Banking Industry

Hopefully, it is by now apparent that flexibilization of industries is a double-edged process striking in two directions, wherein both the management side of business is growing less secluded or self-dependent by the financial market's whims; and where changing demands from product and service markets forces firms to alter their production in accordance to those. The employment relationship, of course, is located right betwixt financiers and consumers (Coase 1990: 36). When flexibilization occurs from both sides, the nature of employment does not remain unruffled. Since we here will focus on labour in modern banking, we need not grapple any further with issues of ownership and management. Hence, we will concentrate on the effects of flexibilization of production in banking. In one phrase, by providing several different products, as well as more sophisticated services, stronger demands have been placed on bank clerks' skills. When hiring employees whose competence allow them to work at several tasks and change alignments frequently, those hired need to posit advanced previous educational dispositions.

We follow Marsden's (1999: 33) scheme to grasp the logic. His is a two dimensional diagram founded on two job demand-, and two enforcement criteria. Ideal typically, Marsden separates job demands by one *production* approach and one *training* approach to employees' skills. There are numerous characteristics Marsden adheres to the two terms; though the distinction he makes that is most pertinent to our advancement is the following. Employers approaching job demands by the production criterion are likely to favour on-the-job training of employees. An immediate example of such is apprenticeships. Correspondingly, employers focusing on the actual training of job demands will seek externally educated manpower. The archetypical example here is jobs requiring highly educated staffs. The other dimension of

Marsden's diagram is divided as to whether the job's enforcement criterion is founded on *task* or *function*. In the first instance work procedures are specifically designated, whereas the outcome of the entire process is crucial in the latter. Task enforcement is expected in traditional employment relations, e.g. 'Taylorism' (Wood 2003), whereas flexible work organizations are likely to aim at specific outcomes (or functions) and are more indifferent to how exactly those are accomplished.

We need not advance all combinations of Marsden's dimensions to benefit from employing his design. One observation needs to be articulated, though, since it couples the presentation above (see chapter 3.5) of the "new" economy to the employment relationship. Traditional organizational practices are likely to offer on-the-job training (as under the production approach) and appoint workers to targeted tasks (as in task enforcement). Comparably, employers of flexible firms will need their employees to arrive with already acquired skills (as is the case in the training approach) and are expected to meet changing customer demands by adopting new business goals at different times (which is completed more easily by function enforcement). The sum-up term Marsden gives to employment relationships that we here believe to appertain to businesses in a 'new economy' (i.e. training approach in combination with function enforcement) is *qualification rule* contracts. We continue by maintaining that term to describe modern bank employment in that financial firms' increasing reliance on highly educated employees will, matter-of-factly, situate workers in that category. Hence, by giving attention to the training of employees' skills, we may enclose Marsden's scheme in wider structural trends in the industry.

When modern banks have gathered more financial activities under their roof (e.g. insurance) together with the sophisticated counselling they now promise to deliver to their customers (*Financial Year 2005*), they will – in accordance to the presentation above – need to hire workers that are able to comply with the changing work post demands in a flexible employment regime. That is, the clerks must arrive at employment with substantial educational attainments. We are not here interested in the exact type of skills and tasks demanded from modern bank clerks, save for some generalizable characteristics their vocation entirely today exhibits. The supposition rendered from Marsden's taxonomy is that one fruitful way to grasp the transitions that have occurred in modern financial services, on part of the employees, we get by simply summarizing all developments up in the higher educational demands now encumbered by would-be and extant bank clerks.

Unionization in the Banking Industry

In chapter 3.2 and 3.4 (above) discussions on trade unions in today's economic environment were given, and Scheuer's table as a tool for analyzing union structure in industries was given theoretical authority. As unionization *per se* is not our present analytical issue, Marsden's and Scheuer's diagram together will aggregate the backdrop for positioning the employees in the banking industry, but not to explain degree of unionization as such.

The common denominator for the two schemata that may elucidate the role of trade unions of bank employees is that of wage augmentation – the so-called 'union wage effect' – and protection of seniority principles or raise wages. Unions have for long been known to evoke both (Freeman and Medoff 1984). The proposition here, which will be supported in the continuing, is that the trade unions in banking have abandoned much of their seniority-preserving role and are currently devoted to wage increasing efforts instead. The distinction may seem suspiciously broad, though it will soon be shown not to be futile in that it allows us to position bank unions firmly in one of the slots of Scheuer's diagram.

By now we have described how contemporary bank clerks due to their fairly strong educational biography are, by and large, hired at *qualification rule* contracts. Even though it has only been offered grounds for employing the term "loosely", the contours are sufficiently clear to translate the vocational description to the industrial relations literature. Scheuer's layout is all but unfit to the task. The more apt positions in his diagram for such are on the "low" end of employees' degree of collectivist spectrum. Specifically, his *service* group is more suited than the alternative category – namely the *professionalism* group – in that Norwegian bank employees do not have any institutionalized title to their vocation (which is, without too much quibble, a base requirement for professionalism), or any fixed career path towards their vocation. Scheuer's (see table 1 for details) own characterization of the service group will serve to justify the group appointment: Service-oriented employees are not collectivistic in their union attitude due to their close connection to the specific work location they serve in. Meaning, service oriented employees enjoy educational certificates and have acquired transferable skills sufficient to make them fairly invulnerable in the labour market under "normal" economic conjunctures. Such employee groups have more to gain from devoting their collective efforts locally (i.e. at the firm to which they are employed) rather than pursuing goals common to the entire industry. Furthermore, employee groups with high educational qualifications are likely to favour unions' attempts to raise wages instead of protecting seniority principles when the two achievements are conflict with one another. And (most importantly) they disfavour contentious union oppositions towards employers

In concord with this way of pronouncing unionization in contemporary financial services are findings of new ways to determine remuneration. Empirical research from other countries have revealed that use of individualized payment is increasing in businesses and industries that operate in international product and capital markets and that have a strong orientation towards shareholder value (Kurdelbusch 2002). After our general exposition it is, hopefully, regarded as plausible to position modern financial institutions within similar economic and organizational accounts. – At least, sufficiently so to proceed to the situation particular to Norway.

4.2 The Norwegian Financial Services Industry Today

The Norwegian financial services' industrial relations do not at present stand unaffected from the structural developments that have taken place the last ten to twenty years in the whole trade. Some establishments today wish for restructuring of industrial relations in the sector. A broad stroke of later years' circumstances will be drawn.

The Norwegian government permitted the entry of foreign bank establishments to the country in 1984 (Stene 1992: 45), and, as a result of Norway's membership to the *EØS*¹⁸, as from 1993, non-Norwegian banks are free to offer their services on Norwegian soil (Stene 1992: 53). This instance of internationalization is not unique to Norway, though the opening of domestic markets inevitably actualizes larger economical repercussions to small countries – such as Norway – than it does to larger ones. Government appeasement of financial regulations did, however, not pass completely without stint. According to Sejersted (2000: 136) the Norwegian political-economical ideology has traditionally held that financial institutions should be monitored and restricted by the government in accordance to its fiscal policies in order to furnish the common weal. Be that as it may, foreign banks have made their undeniable entry to Norway, and financial businesses now operate fairly unrestrained – here, as elsewhere. When approaching recent historical trends in the Norwegian financial industry, there is in particular one protruding momentum one does not escape from mentioning. This is the so-called “bank-crisis” that beset the Norwegian economy during its years of stagnation from the mid-eighties to the early nineties. As has often been the case in Norwegian politics, the recession was warded off by active and targeted government efforts. The state involvement, of course, distorts the picture of a steady and continuous withdrawal of the Norwegian state from the financial market throughout the last forty years. This is not the

¹⁸ The *EØS* is the treaty that binds Norway to European Union legislation.

place to indulge in guesswork as to what would have happened if the state had not intervened and resolved the bank-crisis, though a brief account of it will be offered so that later references to the recession when we progress with the empirical accounts in the next section will not hit void ground. The description will follow Stene (1992: 31-34).

During 1988 it was apparent that the private economy needed external aid lest too many financial institutions would fall victim to pecuniary insolvency. The greatest political fear was that banks would have end up bankrupt or engage in major redundancies of workers due to the emergent imbalance between loans and deposits. During the later half of the eighties, it grew more profitable for Norwegian households and businesses to make loans than to save or deposit their income. The sour grapes of the economy were the aggregating effect of low nominal interest rate together with debtors' possibility of benefiting large tax deductions on loans. In effect, it was beneficial to consumers and investors to drain the banks of their funds. The initial government attempts of small monetary deflations did nothing to ameliorate the situation. Whether or not the central bank could have ended the recession earlier by raising the interest rate is not even yet a tabled discussion. The central bank was opposed to such elevation, and the politicians – who were in favour of it – could do nothing more than merely recommend such measures (Sejersted 2000). Finally, in 1990 the state bailed out the bankrupt banks and thus reinvigorated its role as a major financial actor (Dølvik and Stokke 2001: 3). It did so by coordinating its fiscal policies with other macro-economic agendas; most notably its employment politics. This scheme has been labelled the 'solidarity alternative'¹⁹. Through its strong corporatist model, the Norwegian government was able to impose wage determination on the parties to the 1991-session of collective bargaining (Dølvik and Stokke 2001: 24). As banks now had their funds warranted by the state, and as households and businesses found it harder to tend their loans with the then imposed wage-freezing, the bank crisis resolved shortly during the ensuing years.

From that time since, the financial industry in Norway has blossomed. The present situation in the domestic market is that the number of providers of loans and deposits have increased (per 2004, some 150 organizations); competition from abroad has been strengthened; and most financial institutions now offer a bundle of services, ranging from traditional monetary transactions, to complicated insurance services (*Financial Year 2005*). We now turn to the structure of the industrial relations in Norwegian financial services.

¹⁹ The 'solidarity alternative' was a political pact, or, compromise, between employer associations and employee organizations dating from 1992 assured by the government. The employee side accepted wage moderation in return for a low interest rate (state contribution) and employers' abstention from large redundancies Stokke et al. (2003: 15).

4.3 Industrial Relations in Norwegian Banking

There is no more than one sector level trade union; and one sector level employer organization in the Norwegian financial services sector of real significance. A short introduction to both will be provided.

Employer Organization/Association

The Norwegian Employers' Association for the Financial Sector (in Norwegian, *Finansnæringens Arbeidsforening*, or, *FA*) was established through a merger between two employers' associations in 1999 (one insurance- and one bank organization). Both predecessors had been active for more than 50 years. The Norwegian Employers' Association for the Financial Sector is the employers' association for enterprises acting within the finance sector. There are 168 member enterprises as of 1st of July 2003, of which 126 are savings banks, 11 corporate banks, 16 insurance companies and 15 are other companies acting within the Norwegian finance sector. FA is an independent association and is not associated to the Confederation of Norwegian Business and Industry or other business or employers' associations.²⁰

Employee Organization

The sector level trade union in Norwegian financial services (in Norwegian, *Finansforbundet*) is not affiliated to any political party. Its current membership consists of employees working in banking, insurance, Informational technology, accounting, debt collection, financing, assurance, and underwriting. With its 36,000 members and 3000 shop stewards, it is the dominant trade union in the financial services industry²¹.

Finansforbundet adheres to one of Norway's four *peak-organizations* on the employee side, namely the Confederation of Vocational Unions (hereafter *YS*²²). *YS* is the only peak-organization, on either employer or employee side, in the financial services sector of Norway.

The Two-Tier Bargaining of the Financial Services Industry

In an international comparison, the bargaining structure of the Norwegian financial services sector is one of the more unified, in that the vast majority of employees in the sector are

²⁰ <http://www.finarb.no/om/dbaFile7588.html>

²¹ http://www.finansforbundet.no/templates/FF_std_nav.asp?gid=101&tgid=9&aid=24124

²² Initials of the confederation's Norwegian name: "Yrkesorganisasjonenes Sentralforbund".

members to *Finansforbundet* if organized (Byrkjeland 2000: 18). Moreover, the membership density is fairly high. The industry operates with two-tier bargaining, wherein each firm obligated by the centrally negotiated *Basic Agreement* are given substantial leeway in the actual distribution of the wage levels arrived at therein. This gives industrial relations in this sector the characteristics Stokke and Seip (2003: 9) have classified as peculiar to a “Nordic variant” of two-tier bargaining, in that bargaining takes place at sector level before implementation at company level. As described in chapter 3.3 on Norwegian corporatism (above) the financial services industry complies with the ‘pattern bargaining’ model. In effect, the wage increments rendered by the model sectors are followed both at sector and at company level when wage increases are rendered there. It should also be noted that both negotiating parties at sector level are politically independent so that matters idiosyncratic to the industry – not larger political aims – are the predominate concerns on both sides of the bargaining table, apart from the said ‘pattern bargaining’ compliance. It should be mentioned, though, that the sector level parties are included in national revisions (in Norwegian, *Det Tekniske Beregningsutvalg*), and will thus feel the obligation to take macro-economical and political concerns into consideration.

Regarding the central component of the two-tier system encompassing the financial services sector, *YS*’ engagements have no relevance to our study in that they only marginally affect trade union wage policies – at least on standards of remuneration. It is interesting to note, though, that *YS* too is self-proclaimed politically independent (Hippe 1997: 224), and in that way separates itself from the largest peak-organization in Norway – the Norwegian *LO* – which has tight bonds to the Norwegian Labour Party. The choice of forsaking *YS* here can be defended by mentioning that all of *YS*’ subordinate organizations in the *private* sector (such as *Finansforbundet*) negotiate their Collective Agreements at industry level (NOU 2004: 14). What matters to the local bargaining partners is thus determined by basic agreements specific to the sector, instead of by cross-industrial agreements. *Finansforbundet* and *FA* negotiate a collective agreement on *minimum wages* for financial employees (Stokke et al. 2003: 80).

The basics of the Norwegian wage settlement in financial services are the following: The sector level organizations negotiate and conclude the *Basic Agreement* in the industry (in Norwegian, *Hovedavtale*). Herein is articulated the general ‘pay grades’²³ and criteria for

²³ Fixed nominal salaries following scales from the *Basic Agreement* under the Norwegian heading “Lønnsregulativet”.

automatic pay increments²⁴ together with the rights of bargaining and establishment of *Company Level Agreements* (in Norwegian plural, *Bedriftsoverenskomster*). It is only in the central bargaining over the *Basic Agreement* that industrial disputes through strikes or lockouts are permitted. Clause 14.5 is the paragraph of the *Basic Agreement* most central to our study in that it specifically designates payment in banks. Some basics from section 14.5 will be translated:

Each company bound by the Basic Agreement are obligated to examine wages of all employees up to pay grade 50 in order to bring additional personal wage increase to consideration. Throughout that examination particular attention shall be given to personal characteristics such as personal attainments; special qualifications; and education. All employees shall have examination criteria revealed. An Employment committee (comprising shop stewards and management) will give final approval to pay increments rendered from the examination (author's abridgement and translation).

During the 2004 pay round, the two negotiating parties in the financial sector (*Finansforbundet* and *FA*) agreed on raising wages by 2.5 % through 2004 (or minimum 700.00 NOK in wage augmentation). There are indications of considerable 'wage drift'²⁵ exceeding gains from the central agreement, however. The average yearly wage increase for employees in the financial services sector is estimated at 4.9 % (all numbers in this paragraph from NOU 2004: 14).

Neither should the industry-specific policies of the central parties, nor the witnessed wage drifts caused by local pay distribution surprise us if we adopt the Scheuer-Marsden approach to industrial relations that has been constructed above. This theoretical synthesis has been intended to capture both tendencies simultaneously by focusing on the very same defining trait of modern bank employees to explain both. That is, when employees are highly, or semi-highly, educated, Scheuer's definitions would make us expect that trade unions would concentrate their attention and efforts on industry-specific agendas; at the same time as the

²⁴ E.g. automatic pay increase based on seniority up to wage level 13 (as of 1st of May 2005, 240,935 NOK in yearly income).

²⁵ Høgsnes (1999: 16) understands *wage drift* as increments in payment settled locally, and it is the same phenomenon I am referring to. When understood in this way, there are ultimately three ways in which wage drift can occur: (i) local increments in pay (ii) individual pecuniary appraisals (iii) structural (re-)organizing that alter the composition of employees, so that the ones receiving local and/or individual appraisals increase relatively to the ones that do not.

Marsden's scheme would allow us to predict a general elevation of wages locally due to such workers "strong" bargaining power vis-à-vis their particular employer. It should be reiterated that the industrial relations literature will (with due reservations) maintain the belief that employers, and their central organizations accordingly, are inherently prone to favour decentralized bargaining and wage settlement (Calmfors et al. 2001: 118). If we accept this notion, we would inevitably accredit the "harmonious" industry-specific nature of Norwegian finance to the employee side's – both trade union and local employees – acceptance of the two-tier bargaining structure. Were it not so, we would probably have witnessed attempts from *Finansforbundet* to strengthen the influence and power at sector level in the bargaining process. This has certainly not been the case. The prologue to the new pay systems introduced in the banks investigated to this study (along with some few others) was nothing less than a proposition rendered by a joint commission with representatives from both the sector level employer and employee organization. This proposition will be introduced in the empirical section of our study.

Summary

A broad sketch of industrial relations in the Norwegian financial services sector was introduced, wherein few intricate aspects of the relationship was elaborated. To the ensuing analysis what is of greatest importance is familiarity with the main actors at sector level as well as the pay related aspects of the *Basic Agreement* in the industry. A swift recapitulation is in order. On the employer side there is only one sector level organization of importance, namely *Finansnæringens Arbeidsgiverforening* (FA). It is notable that this organization neither adheres to the peak-employer organization of Norway nor to any political party. On the employee side there is also just one trade union at sector level which is also politically independent. This, however, is member to one of Norway's four peak-trade unions, scilicet *The Confederation of Vocational Unions* (YS after its Norwegian initials). The study was, though, held not to be in wanton of any further considerations of YS' policies since those do not embark on pay related issues in the banking sector.

Next, the section outlined the way payment is determined sector-wise in the banking industry. The very abstract and non-specific description given only signals to what little degree wages are centrally decided in this sector. From sector level, the *Basic Agreement*, through clause 14.5, dictates the guidelines for implementing the pay grades rendered from

the central bargaining rounds. The basics of the 14.5 clause were translated in order to show the indeterminate central wage settlement.

5. A Map of Two Paths, and the Road of Two Banks

This section will consist of presentations of the empirical material assembled for this study. First of all, a document rendered from sector level agencies of the Norwegian financial services industry will be paraphrased. As will be apparent during the familiarization with the cases late on, the two variants of pay system individualization enacted at these follow patterns that was already sketched out in this document. The section will resolve in chapter of comparison between the two cases.

5.1 The ‘Individualization of Remuneration Proposition’

In 2001 a commission comprising representatives from *Finansforbundet* and *FA* articulated a document at the round-up of a research project investigating the possibilities of following the Swedish example of implementing more individually based forms of remuneration of employees in the Norwegian financial services industry. The crux was clause 14.5 from the *Basic Agreement*. The document unfolded as a proposal for two alternative routes towards such decentralizing reforms of the extant bargaining structure; namely, the *Individualization of Remuneration Proposal*²⁶ (hereafter denoted by its acronym *IRP*). The basic argument and conclusion of the proposition will be paraphrased.

The commission expressly stated that recent developments towards individualization of pay settlement in the Swedish financial services industry should be accompanied by its Norwegian counterpart. As was the case in Sweden at the time of *IRP*’s drafting, Norway, it was thought, should implement pay systems in financial corporations wherein payment would be negotiated directly between employee and employer with as few central impels as possible. The same structural developments as has been presented in chapter 3.4 (above) were taken to account for the need to reshape industrial relations in the *IRP*: increased foreign and domestic competition; deregulation of financial corporations; and loosening of political cooperation between state and businesses. In addition, the fact that the industry had experienced substantial wage drifts up to the period of document drafting was interpreted as signals that pay system alteration was betimes. The reason for this was that the *Basic Agreement* concluded in the financial services industry – except for some decrees of seniority wage

²⁶ The translation is wholly the author’s. The Norwegian original of the proposal was *Fra LAKS til SILD – en instilling fra Skarsbak / Marstein-utvalget*.

principles – did only adjure the nominal wage levels, and not who, and how many, employees the individual firms were to appoint to them.

In more elevated conjecture, the commission declared that employees in highly educated sectors were poorly monetarily appreciated under the Norwegian ‘pattern bargaining’ model. With ‘pattern bargaining’ some industries (see chapter 3.3 on Norwegian corporatism, above) conclude central bargaining first, creating wage guidelines for ensuing central bargaining rounds in other industries. The argument in *IRP* was that sectors bound by this model, who are hiring highly educated workers were ill suited by the ‘pattern bargaining’ system because sectors with lower educated personnel established the initial wage “mark-up”. The commission’s intention was not to violate Norwegian ‘pattern bargaining’, but to allow financial institutions to fix wages locally. And because financial corporations already were free to – and in many instances already did – discuss wages with individual employees, the *IRP* deemed it more just if all financial employees participated in formal discussions of payment with their employers.

In the then new Swedish bargaining structure in financial services, used as prototype for the proposals in the *IRP*, individual employees in financial corporations discussed wages personally with their employer. These wage discussions were dubbed ‘pay interviews’ by the commission, and will be named so consistently in this study too.

Upon the conclusion of the *IRP*, the committee proposed two ideal avenues for alteration of wage settlement in the financial sector in line with the expressed need to decentralize bargaining.

1. The “moderate” alternative: to include employees, in some way, in the examination of individual payment commanded by clause 14.5 of the *Basic Agreement*. One example is to involve pay related issues in the already existing ‘appraisal interviews’²⁷.
2. The “radical” alternative: complete determination of wages through individual sessions of wage discussions between employee and employer just as in the Swedish financial services sector (i.e. ‘pay interviews’).

The two proposed routes are “ideal” in the sense that many variants of both may be articulated and adopted by the various banks choosing to alter pay system in lines with the propositions in the *IRP*. The empirical section below will present the accounts of two attempts enacted at Norwegian banks. Hopefully it will be apparent that the cases present a fairly accurate fit to

²⁷ Most Norwegian managers engage in formalized sessions to discuss business objectives and express performance assessments with all employees. These sessions are dubbed ‘appraisal interviews’, or, in Norwegian, “medarbeidersamtaler”.

the two alternatives, so that the study benefits from having investigated one “moderate”, and one “radical” pay system alteration.

Hopefully, a canvass sufficient to investigate two Norwegian banks that have recently altered their pay system dramatically has by now been woven. Having presented the fundamentals of the industrial relations appertaining to pay settlement in the sector, along with the proposed alterations of pay systems expressed from “insiders” to the industry (i.e. the *IRP*) there should be a backdrop suitable on which to flesh out empirical inferences. Moreover, the theoretical contributions given are intended to follow ensuing analyses, either overtly expressed, or more tacitly assumed.

The Two Case Banks

The two case banks will be presented thoroughly in turn. The naming of the cases – as Bank A and Bank B, respectively – is nothing more than a simple way to preserve informants’ anonymity and, at the same time, maintain the sequence of the two accounts so to ease ensuing references to the cases. The pivotal points from the separate descriptions will form the basis for the later case-comparison section.

5.2 Development of Pay System at Bank A

Probably, many of the abovementioned characteristics are shared by other banks and financial corporations in Norway. There is, however, one reason above all as to why Bank A was chosen as object of study for this present thesis. During the two last bargaining rounds the negotiations were drastically reformed, or, rather, remodelled along fundamentally different lines. The road chosen at Bank A is akin to the ‘moderate’ avenue sketched in the mentioned *IRP* in that centrally negotiated wage levels were maintained at Bank A, though non-collectively negotiated after the pay system alteration. The previous concordance and compliance with the general pay increments from the *Basic Agreement* were replaced with *individualized* pay settlement wherein each employee discusses conditions and level of payment directly with employer/employer representative. As most businesses in Norway today, Bank A is obligated to perform so-called ‘appraisal interview’. What is drastic about such talks at Bank A is that level of payment to each and every employee too is settled during those. ‘Appraisal interview’ is now termed ‘pay interview’ at Bank A, since pay negotiation is implemented in the former. The reasons for the alteration of pay system – as expressed by Bank A’s management representative – will be expatiated.

Bank A is a conglomeration comprising ten retail and investment outlets, and one executive office, that are all confined to the same semi-urban region in Norway. The geographical proximity makes the outlets uniform as far as business strategies, professional experiences, and (not the least) educational dispositions of employees are concerned. This uniformity offers several notable methodological advantages to this study. Firstly, there is no urgent need to ponder on where exactly to devote the attention of investigation; secondly, findings are likely to prove relevant – if nothing else, at least to the remaining filial banks; thirdly, any generalizations of inferences seem less precarious than what would have been the case if similar experiences were not likely to occur in other places. In our case, a further empirical strength emerges from the fact that all interviews were conducted at the central bank in the conglomeration. Resultantly, all interviewees had an overview of all banks in the corporation that proved highly valuable during the discussions.

A couple of geographical and demographical characteristics of Bank A are pertinent to the ensuing description. As already stated, the entire cluster of banks within the same corporation is confined to the same region of Norway. The region is best depicted as semi-urban, with many small towns of more-or-less equal size both in terms of population and geographical spread. The corporation of Bank A has outlets in many (if not most) of the towns in the area. All in all, some 330 people are employed by the corporation. The central department of Bank A is located in a town of approximately 40,000 citizens, which is average for towns in the region. The outlet interviewed employs a staff of a little more than twenty. The moderate sized staffs for all outlets in the company were also described as being fairly homogenous in several ways by the informants. Informants could describe a staff of employees that fell in only a couple of broad rank categories – most in medium or upper level as far as organizational prestige is concerned; consisted of people at the same age; and had equal level of qualification and educational attainment. Moreover, apart from the inevitable need for some replacement due to retirement, most of the employees had occupied their office for several years uninterruptedly.

There were two concomitant occurrences during the couple of years preceding our investigation at Bank A that vastly changed the employment situation in the corporation. One was a decision of dismissing some employees of redundancy; the other was the alteration of existing pay system. The informant speaking on behalf of management sketched out the main reason for changing structure and proceedings of wage settlement at Bank A. It was, moreover, claimed that the two events were but loosely coupled with one another. The redundancies will not be given vast attention, because they by and large do not appertain to

our research of pay system alteration. It has to be mentioned, though, that the vehicle behind both the redundancies and the pay system alteration was the same. Expressly, that the staff at Bank A consisted of mostly people of the same age and the same formal education, and turnover had been low (if not altogether absent). As revealed by the management representative, the average age amongst clerks was high, and most had graduated from the same school around the same time (the no longer in existence Norwegian Banking Academy). The management representative could further inform that Bank A therefore had to choose between either *upgrading* skills of existing clerks or hire new employees that were up-to-date with technological developments in the financial services sector.

Apparently, the management of Bank A grew attentive to their emerging “weaknesses” in comparison to competitors new to the same geographical area, as the younger and more recently educated staffs of those proved more durable and flexible. The new competitors were mainly large banks operating country-wide or, even, internationally, enjoying ‘economies of scale’²⁸ due to their size and vast geographical dispersion thus keeping running costs low. Opposed to its rivals, Bank A’s regional conglomeration of several small outlets – something that had always been Bank A’s strength hitherto – came to be an economic handicap due to difficulty of attaining ‘economies of scale’ in network structured businesses (that is, network structured businesses will find it hard to attain decreasing production costs). The challenge consisted in turning this weakness into an advantage. Investing resources in the existing labour force was a vital part in this process of “business alchemy”²⁹. The existent workers could serve to maintain a good relationship to local customers, but business practices needed to be modernized. The final decision was to let some few employees off in addition to offering the remaining majority additional education, and since not many new employees were hired, redundancies were kept as low as possible. If the alternative strategy of hiring mainly new staff had been pursued, we can conjecture that several more of the “old” employees would have been laid off.

As stressed by Bank A’s management representative, the need to be flexible and up-to-date with latest business developments grew salient as most bank customers and clients in later years demanded more advanced expertise and consultation from their banks. Apart from the obvious benefits from having experienced workers – and loyal ones at that – Bank A’s business plan of investing resources in their extant labour force also had to do with economic

²⁸ Note 14 (above) gives a terse description of ‘economies of scale’.

²⁹ The regional and local fixation of Bank A is reflected in their corporate slogan of “*Personal, Dexterous, Local, and Enthusiastic*” (author’s translation addition of emphasis).

characteristics typical to many semi-urban locations: Management in Bank A wished to preserve a good relationship with local clients that had evolved over the years. In contrast to new-coming banks, Bank A could preserve this comparative advantage of closeness and familiarity with customers by keeping their existing staff – and so they chose. The additional education in software technology and in latest business strategies was carried out in close connection to one of Norway’s more prestigious business schools. The additional education programme commenced in 1995, and in many cases the schooling consisted in as much as 15 credits per term for the employees. In comparison, a Norwegian full time student in higher level educational institution is expected to complete a total of 30 credits during the same time-span. When completed, all commercial advisors had received an additional degree comprising of courses in micro-economics and law.

The adoption of a new – and *individualized* – pay system by Bank A’s management rested on the belief that the “old” employees needed to be spurred both to upgrade skills, and to improve their capacity in daily tasks (see chapter 3.4 under heading ‘New Organizational Strategies’ above for elaboration of payment as instrument of motivation). In adopting and implementing ‘pay interviews’ in suspension of the older pay system where wage increase were automatically adopted from sector level bargaining rounds, Bank A sought assistance and guidance from the sector level trade union in the financial services sector (i.e. FA). (The same organization was addressed for technical support and guidance in the abovementioned redundancies.) In that way, both the additional education of employees, and the implementation of ‘pay interviews’ were done by aid of external expertise – even though the prerogative to do so rested on Bank A’s own business strategies.

Sum Up

From discussions with representatives of management, of employees, and of shop stewards at Bank A (main points offered in preceding account), the following assertion seems applicable: Even though a pay system is a complex matter, and though issues related to wages affects something that is arguably the crux of any employment relationship (Edwards 2003), the grounds for adopting a new and individualized wage regime at Bank A seem to boil down to an intercourse of crucial characteristics peculiar to Bank A together with the more general tenor of structural developments in the financial services sector.

Alongside the structural shifts common to the entire financial services industry (see chapter 4.2 and 4.3) Bank A was object to some important events more idiosyncratic to its own domestic market. As stated above, the most important were the appearance of competing

banks in their local community (or, rather, communities) who neither possessed the plights nor virtues of Bank A's organizational foundations.

Correspondingly, just as whole banking industry has altered the vocational demands from employees (*Financial Year 2005*); Bank A too experienced these circumstances. Mainly, this unfolded as a matter of how to handle the challenge of an aging pool of workers having more-or-less the same type and degree of (partly) dated qualifications.

To repeat, Bank A chose to engage with the external pressures and demands by addressing their own decisive point of weakness in their business environment. That is, by upgrading the level of skills of their employees without recruiting new staff. Aside for some (according to Bank A's management) inevitable lay-offs, this was carried out along two strategic avenues with the intention to incite extant employee's motivation to improve their skills and their productivity. The one being to commence with an additional education programme (in conjunction with a large Norwegian business school), the other was to alter the system of payment. Once again, the attention will turn to the latter.

'Pay Interviews' at Bank A

In comparison to other banks in the Norwegian Financial Services industry, Bank A today has what is arguably one of the most *individualized* methods to determine wages amongst its employees (as stated in the inauguration of this section). Previously, the only remunerations that could be disbursed at an individual basis were bonuses³⁰, and wage levels were adopted from the *Basic Agreement* concluded at the central bargaining rounds in the financial services sector with the sector level trade union in the Financial Services industry (*Finansforbundet*) and the sector level employer organization (*FA*). Previously, when these wage levels were implemented, increase in payment followed by routine established principles of seniority, responsibility of work post, and personal educational attainments. As stated above, wages at Bank A is today discussed during yearly 'appraisal interviews', now dubbed 'Pay interviews' where an employees exact positioning in the pay grades from the *Basic Agreement* is settled in personal communications between employee and employer at the different outlets respectively. Another important change is that whereas shop stewards, responsible for each outlet, served as mediators betwixt manager and employee before, no such role is today ascribed to the union representatives. The proposed wage dispersion to all employees in an outlet is still revealed to the shop steward, tough only after concluded 'pay interview'

³⁰ Bonuses at Bank A are not completely *individual*, strictly speaking, as they distributed to a targeted group of employees in the first instance. This bonus system did not change with the new pay system.

sessions, so the influence is of a different nature. That is, since the wage dispersion in the proposal, by its fact already agreed by the employees, shop stewards is unlikely to be involved in the disbursement of payment in the absence of any employee appeals. Consequently, wages are now directly fixed at Bank A. It should be mentioned that a potential source of discrimination between union members and non-members is hence that removed by the same stroke, but still, both in the financial services sector generally, and at Bank A specifically, union density is, and were, strikingly high in any case so the impact is not too significant (informants conjectured that as much as 90 percent of non-management employees at Bank A were members to *Finansforbundet*).

Under the older pay regime – adopting clause 14.5 (see previous section) in the “traditional” way – managers still enjoyed the authoritative position in terms of wage dispersion. From a shop steward perspective, the major transformation consists in the later revealing of its contents.

The nature of the new pay system in Bank A can be summed up as follows:

1. All employees in Bank A above pay grade 29 in the *Basic Agreement* shall negotiate their salaries in yearly ‘pay interview’ sessions directly with their department management. Since near every employee at Bank A rank higher than wage level 29, all payment in the bank is fixed at *individually* as a consequence.
2. ‘Pay interviews’ proceed *sequentially*, meaning that all employees and line managers discuss their wages with their immediate superior all the way up to top executives in the corporation. In effect, only three out of three hundred in the bank do not discuss wages.
3. All employees at Bank A are to be provided with a standardized preparation scheme after which wage level shall be settled in accordance with the points listed therein.
4. Shop steward(s) and management meet to discuss and settle total wage budget to the different outlets and wage level criteria in advance of ‘pay interviews’
5. The ‘employment committee’³¹ (in Norwegian, *Ansettelsesutvalg*) consisting of managers and shop stewards approves ‘pay interview’ guidelines.
6. In conclusion of the ‘pay interview’ session, employees are *assigned to one of the wage levels from the Basic Agreement of the Financial Services industry*. As will be elaborated below, it is important to bear in mind that the use of the wage levels of the

³¹ After § 14 in the *Basic Agreement* in the Financial Services industry every corporation with more than twenty-five employees are commanded to establish an *Employment Committee*. The clause, of course, applies to Bank A.

Basic Agreement in Bank A's 'pay interviews' ensures that the new and individualized pay regime is not entirely de-coupled from a central and industrial-wide basis. Technically speaking, only the criteria for automatic increments of payment – first and foremost seniority – have been abandoned with the new pay system.

7. Thus, Bank A does not practice a *variable pay* regime, but *fixed pay levels* are individually negotiated.

After its inception, no increases in payment shall be offered to any employees additional to the increments arrived at during 'pay interviews'. The fact that such individually offered additions of payment were a major source of the large wage drift witnessed in the financial industry (see previous section) bears repeating in this instance. The barring of that possibility is, in effect, a removal of wage drift after bargaining rounds at Bank A. Employees who do *not* wish to participate in 'pay interviews' are free to opt out, though they will thereby leave their own wage level entirely to management prerogative and discretion. More, only those employees who participate in the 'pay interviews' enjoy the right to appeal an initial decision of wage settlement.

5.2.1 Experiences from 'Pay Interviews'

Because the 'pay interview' pay system has been recently adopted at Bank A (second season concluded at the 2006 wage rounds) opinions and verdicts given by the involved parties are deemed to partly rest on guesswork and feelings as well as firmly grounded experience. This study lends ear to four informants evaluations of the proceedings and accomplishments of 'pay interviews' at Bank A: one management representative; one employee; and two Shop Stewards in the corporation. Each response will be dealt with in turn.

Management

Our management representative is employed in one of the ten outlets of Bank A. Said person possessed a good organizational overview, due to a long-time employment in the Bank, and a central position in the organization. The following extracts are held as pertinent to our purpose.

Even though the alteration of pay system was an act of management decision, our management informant stressed that the burden of 'pay interview' proceedings affected management as well as employees at Bank A. An additional responsibility has been laid on line managers who now will engage in bargaining over payment directly with workers at their

respective branch. A chief concern by upper level management has therefore been to train and motivate line managers towards the enactment of the new pay system. This was done by offering courses to line managers in addition to increasing their salaries. The strengthening of line manager's position reflects the individualization of payment at Bank A in that responsibility for distributing remuneration within the corporation is now occurring at a "lower" level within the organization. Still, line managers have to comply with wage budgets enforced on the company entirely that serve as a ceiling as to how large pay increments, taken together, in the specific department is allowed to grow.

Our management representative regarded line managers' onus during 'pay interview' to decrease when they participated in *open dialogue* with their respective staff throughout the entire year prior to pay settlement. In doing so, no disrupting "surprises" (or even, *chocks*) on the part of clerks would threaten the harmony and loyalty within department ranks.

Employee

Of all three hundred employees at Bank A, only one was given voice in this study. Moreover, this employee representative too highlighted the difficulty of executing sound judgement over a pay system that (at the time of interviews) had only taken place twice. Those facts, admittedly, challenges any possibility to generalize employee statements obtained at Bank A. Despite this, the informant was asked to do just this, that is, to make a statement on the side of Bank A's employees.

It was admitted that payment was a great concern amongst employees at Bank A, and that not all employees felt they received the remuneration appropriate to their skills and achievements in the corporation, though the adoption of new pay system was not blamed or lauded for having altered the occurrences of this kind of grievance. And violations of so-called 'norms of fairness' of wages (Elster 1992: 5) were described as more of an employee-to-employee complaint than something the entire labour force adhered to in unison – and not at all in relation to the new pay system. That wages was a recurrent theme in discussions between employees was only vaguely admitted by our informant. All in all, our employee representative offered a rather favourable assessment of the new pay system's enactment and proceedings, and the informant believed to speak on behalf of most employees when giving such.

Shop Stewards

There are presently thirty-four part time shop stewards, and one senior shop steward in full-time service distributed among Bank A's ten departments and head office. To reiterate, all serve as Union representatives to *Finansförbundet* (Trade Union in the financial Services sector). Shop stewards only deal with cases involving unionized employees, but this, as mentioned above, does not have any significant ramifications at Bank A, wherein nearly all employees are union members. Two part time shop stewards have given their assessment of Bank A's new pay system to this study.

Within the corporation, there are four yearly formal enjoinders in the 'employment committee'. Issues of payment – both personal and collective issues – are meant to be discussed in that committee. Apparently, issues concerning payment are a frequent locus during such sessions, although the bank's bonus arrangement was stated to be a grander affair than regular payment (note again that bonus rewards are not touching upon the main issue of this thesis). This was not always the case, something that will be grappled with in the following. A precipitant assessment regarding pay system in Bank A is that the greatest alteration of organizational role has occurred on part of trade union representatives (i.e. shop stewards). Correspondingly, shop stewards' will here be devoted with more attention than management and employees.

The greatest difference in the role of union representatives at Bank A after the adoption of 'pay interviews' pay system, as expressed by the interviewed shop stewards, is that they have lost a previously held more formal role of influence in issues of payment. Before the old system lapsed, each department's shop stewards discussed every pay increment on behalf of employees directly with management. In that way, the local trade union representative served as a negotiator between the party receiving and the party admitting payment – in other words, *the traditional role for shop stewards* (Marsden 2001). The actual way this was done under the abandoned pay regime, was that shop stewards received all proposed pay adjustments prior to disbursement. Today (as already said) they only see the proposed wage dispersion after this has been individually assented by employees and employer. Before, all proposed alterations (and, of course, lack of such) were negotiated in meetings of management and shop stewards.

In one phrase, this *traditional* shop steward function is no longer intact at Bank A. In the *individually* negotiated wages shop stewards do not have access to the suggested pay adjustments, save for the ones that are being appealed by unsatisfied employees after the pay rounds have been terminated. As one of the shop stewards articulated, "The payment of an

individual employee has slipped from our agenda”. This does not mean that payment related issues *as such* are no longer part of union representatives’ daily tasks at Bank A. What it does signal is that the involvement now is confined to negotiations over *total pay increments for the respective outlets*. The shop steward informants admitted that they do have some influence regarding the establishment of the total payment budget, and its dispersal throughout the various departments. Who exactly is to receive increments, and how large those are estimated to, is, however, not revealed to them before concluded bargaining rounds, and any shop steward attempts to interfere in individual wages is thus severely delayed in the process. In this way, trade union roles related to remuneration have moved to a more all-employee encompassing level in parallel development with the individualization of payment. Another quotation from interviews with the shop stewards that may serve as an enlightening gibe of the workings of the new pay system bears mentioning: “under the new pay system the employees have to argue with management why they deserve to receive more whereas shop stewards need to convince management to give more”.

Nonetheless, (and in accord with the employee representative’s supposition) the shop stewards did not think that the new pay system threatened employees’ valuations of any norms of fairness of pay (Elster 1989: 221). Nonetheless, expressions of distress were announced during the interviews as to the possibility of the new system increasing the wage gap between employees at Bank A. This is, though, still mere speculation. It is interesting in this regard that one of the shop stewards pointed to other developments partly related to the *individualization* of pay that posed augmented pressure on their role as union representatives. As was pointed at during discussions with a representative of the sector level employer organization in the financial services industry (during the pilot interview in advance of this study that has not been endowed a separate section) a conflict are expected to arrive for trade unions in bank and finance concerning whether to devote energy to the protection of *individual* or *collective* interests of their member mass. Inasmuch as Bank A’s new pay system forces shop stewards to alter their roles and strategies locally, their relationship with the trade union centrally is likely to change as well. These are issues that transgress the current discussion, but they will be canvassed further in the last section of the thesis.

5.2.2 Inferences

The inferences will be presented in the same sequence as that of the descriptive chapters. As will be clear in later sections, the analytical demarcation between management and shop stewards will be employed continuously.

Management

The adoption of ‘pay interviews’ at Bank A was a decision ordered from the top level of the corporation. This does not mean that management are now released from further burdens in the continuing operation of the new pay system: As said, every line manager now has to openly discuss remuneration with each and every employee both negotiating parties are forced to share the onus of demanding, denying, and admitting wage increments *face-to-face*, literary speaking.

Even though Bank A is a pioneer – in Norwegian measures – in attempts to individualize pay settlements in the Financial Services industry, several Swedish banks are have already implemented such pay systems for some time³². Swedish experiences have revealed that line managers were the ones that suffered most encumbrances when wages are negotiated individually. As a result, line managers were inclined to give large wage increments – at least in the initial pay rounds – when facing their employees during settlement (a danger also expressed in the *IRP*). With this challenge in mind, Bank A recognized the need to train and incite line managers to behave in accord with central business strategies related to payment. As far as management informants would reveal, there were not any indices of disconcert of business plans due to line managers’ behaviour, nor any major claims of distress and frustration on part of line managers themselves. The administrative burden when pay systems are altered is born by management. Any striking difficulties, or unpredicted costs, were not communicated during interviews with Bank A’s management, though.

It seems fair to reiterate the two strong characteristics of Bank A in these regards: Both the many long term employments and the organization structure of localized network affiliations probably ameliorated line managers’ plights during ‘pay interviews’ at Bank A.

Employees

Without postulating groundless conclusions, one characteristic of Bank A’s organizational structure presents itself as a reason why the bank’s employees may welcome an individualized pay system without fearing that they might lose powerful means to influence their wages. A traditional assumption in the industrial relations literature has been that trade unions arise where collective means are sought as sources of power (Crouch 1982). The expectation that

³² The Swedish forerunners were, as stated, used as model banks when the peak trade union and employer organization of Financial Services in Norway proposed similar attempts domestically (see section dealing with the *IRP*).

such influence will be employed in attempts to influence wages has also predominated in trade union theory (e.g. all since Freeman and Medoff 1984). During interviews with shop stewards and employee representative at Bank A no hints were given that bank clerks were alarmed due to their loss of collective avenues of wage bargaining. In this respect too it seems reasonable to highlight the two abovementioned strengths of Bank A as a financial corporation.

First of all (as described above) the fair share of employees at Bank A have been in stable employment for a considerable time period. However this fact is interpreted it is undeniably an expression of *loyalty* and commitment between management and staff, and the familiarity of personnel within the corporation has in that way been cemented as a relationship of trust (Hippe 1997: 206). Of course, the long-term employments could be an expression of lack of alternative employers to bank clerks in the region. This seems not to be the case for the employees at Bank A, largely because all the newly arrived competing banks would probably have attracted some Bank A's workers if those were dissatisfied with their present occupation, save for the elder ones. Intuitively speaking, the existence of a loyal work affiliation will better accommodate an individualized pay system than what would, *ceteris paribus*, be the case in an establishment where the ranks were more alienated from one another.

Secondly, Bank A operates as a network of small departments spread across the region. The benefits from running business in this way have been dealt with in massive amounts of analyses related to the *post-industrial* economy (overview in Asheim and Isaksen 1995). Many of the theoretical branches need not divert us here, in that they concern mere technological, economical, and market related aspects of business strategy and benefits. What seems pertinent, though, is that small and more-or-less autonomous departments within a larger corporation enhance *flexible* and *communicative* workings of any business proceedings, including the running of a pay system (Olberg 1995: 11). In comparison to banks with more centralized and hierarchical firm structure, it seems reasonable to conclude that Bank A reaps the benefits of flexibility and communication within the different departments that may serve to expedite the cooperation needed in order to enact and proceed with an individualized pay system. The absence of employee complaints during interviews may be taken as support for such an assumption.

Shop Stewards

The case study of Bank A revealed that the new pay system to the greatest extent has challenged shop stewards customary function and roles in the bargaining and settlement of

wages. To recapitulate, instead of devoting attention to each and every employee's payment, shop stewards now negotiate more over the total wage budget than over particular employees' payment. The only exception is cases of appeal by individual employees, where shop stewards serve as prosecutors.

The change in shop stewards' role can – but need not – be viewed as dramatic. At any rate, the change has assigned trade union representatives at Bank A to a “higher” level in the bargaining structure, and to “later” sequences in the process in terms of negotiation and surveillance of wage settlements: Most initial initiatives on their part will involve the entire labour force simultaneously, rather than approaching individual employees from case-to-case. Individually targeted interference will have to take place after concluded bargaining rounds. Notwithstanding their new role, shop stewards are still positioned as intermediaries of employees and trade union. This must be remembered when any conclusions are to be rendered. One way of conceiving the development is that shop stewards lose sight of the ones they are intended to protect and aid during wage settlements, that is, every (organized) employee. That shop stewards are not provided with the opportunity to glance through proposed pay alterations would in that case be weighted. Oppositely, the sum of employees' interest could be equally (if not better) served when shop stewards negotiate over total pay increments for the entire outlet during wage rounds. Besides, a central position could also facilitate shop stewards' ability to coordinate trade union interest with local employment conditions.

In the case of ‘pay interviews’ at Bank A it seems fair to say that shop stewards have all-in-all lost some of their avenues of influence in that they have lost some of their means of controlling individual payment initially without gaining any significant strength at “higher” level in the organization (meaning that the routes of influence company wage totals are not new to the shop stewards). They are in that way left with a *monitoring* role in the operation of the new pay system. There is, however, far too early to conclude any definite verdict. It is also interesting, as dealt with in chapter 3.5, that David Marsden (2001) considers it more beneficial and suitable for shop stewards in modern industrial relations to occupy a *procedural* position in wage negotiations, that is, to influence criteria of wage appraisal. As far as evidences from Bank A point at, shop stewards might establish themselves in a sustainable role of professional monitors of ‘pay interview’ proceedings, still evidence are not (yet) unequivocal in this regards.

5.3 Development of Pay System at Bank B

Although the second bank in our study also changed pay system along individualized lines, those did not follow the same route as in Bank A. During the bargaining round preceding our interviews with management representatives and a shop steward there, Bank B had – in accord with the one suggested path in the *IRP*, but in difference to Bank A's way taken – altered their pay system along the most radical lines to date in the Norwegian Financial Services industry. In fact, Bank B had to be permitted a special exemption from the *Basic Agreement* in order to change its pay system³³. The 'exemption' permitted should, in fact, be read in its most radical sense, in that the *Basic Agreement* had no part in wage determination in the two last bargaining rounds at Bank B. Since Bank B is the only Norwegian financial corporation that is provided with this dispensation the general wage increases rendered from the *Basic Agreement*; and because its new pay system is a matter of *individualized* ways to settle wages, Bank B is a natural candidate for investigation of new and decentralized ways of determining remuneration in Norwegian banks. The fact that, as communicated by the bank's management informants, all other Norwegian companies in the industry are monitoring the development attentively only further proves the aptness of the case to our empirical purposes. Bank B is nothing less than the first bank to commit a radical break with sector level wage bargaining in the Norwegian banking business. To this study's benefit, management representatives and a representative of the shop stewards in the corporation were interviewed on questions of the bank's new pay system. Since Bank B (just as our previous case, Bank A) has included individual wage bargaining in 'appraisal interviews', and altered the name of the session likewise, 'pay interview' will be used to designate the manner of wage settlement at Bank B also. Based on two management representatives in the bank, the main reasons, and crucial moments in the way to pay system alteration will be expounded in the following.

Bank B is not a Norwegian Bank. The conglomeration has outlets and main-office in all Nordic, and some non-Nordic, countries. Regardless the bank's foreign nationality, and in spite of its fairly late entry to the Norwegian market, it is able to serve customers from all across the country through its vastly spread departments. The magnitude of the corporation does not signal a strict hierarchy and fixed organizational structure of the bank. On the contrary, as according to management representatives, no bank in Europe has a more decentralized network of departments. Bank B has always functioned as an interconnected system of semi-autonomous departments that are able to navigate in accordance with the

³³ The development up to the granting of Bank B's exemption cannot be discussed further here without revealing Bank B's identity, something that would run at odds with the anonymity of the study.

needs and requirements unique to their peculiar locality. One thing is, however, common to all the bank's establishments in Norway: they operate with the same pay system. Taken together with the fact that personnel from the executive department of the bank (domestically speaking) there seems to be a sound basis to base empirical judgments upon – as far as scientific generalizations go.

The bank's entry to the Norwegian market was not directed to any particular area, nor was the departments tailored and tuned to fit assumed Norwegian market characteristics. The Bank penetrated Norway by establishing the same network of outlets across the country as in its motherland, and the bank attempted to preserve, rather than alter, its existing business conduct. This, in turn, signals the extraordinary organizational structure of Bank B wherein looser coordination between affiliated and equally ranked departments make local economical manoeuvre possible. The decentralized structure of the corporation was, allegedly, a legacy originating from the mid-seventies. From then hitherto, the company profile has been founded on a belief that their customers are better satisfied when leeway of business action is granted to the distinctive departments. According to the management representatives interviewed, similar organizational experiments were ventured at other banks up to the late eighties whence the 'bank crisis' (see chapter 4.2, above) disrupted such attempts. Having already decentralized the firm for some time prior to the 'bank crisis', Bank B was able to persist that way throughout the financial depression – and as the sole survivor at that, according to management representatives at Bank B. One important cause of this was expressed to lie in the bank's risk averse profile in terms of investment policies. In non-Norwegian departments, a part of the decentralized business structure in the corporation has for some time been accompanied with individualized wage settlement. (It is necessary to bear in mind that non-collective ways of bargaining salaries is less radical in financial services elsewhere than Norway, something that has moulded wage politics at foreign banks, such as Bank B, for a long time.) That such arrangements should arrive in the Norwegian branches is, however, a dramatic disruption in the way bank clerks' salaries are established. Although the exact measures and details remain unclear to someone external to Bank B's administration, there is, apparently, no centrally appointed wage budget the different departments must comply with when distributing payment. The intention is that all banks in the corporation shall enjoy elbowroom sufficient to distribute remuneration local management consider appropriate to meet their local needs, in terms of reward and motivation of their respective staffs.

To Bank B, the adoption of a new pay system, removed from all central bargaining, was a denouement of attempts to bring all their business strategies to concord and intrinsic

consistency. As a matter of wage policy, a firm comprising semi-autonomous bank bureaus is likely to seek an individualized payment regime (Barth and Ringdal 2005). Undoubtedly, all corporation making radically *individualized* transitions towards flexible workings of the employment relationship (such as individualized pay systems) will face the challenge of maintaining loyalty and cooperation amongst employees after the quotidian has been severely disrupted. Bank B has never been blind to this adversity. In order to maintain their labour force, and simultaneously encourage employees to good economic achievement, the bank long ago created an intricate pension system. The system is based on co-ownership to the corporation's stocks for the part of employees. That joint ownership to a firm fosters *loyalty* and better economic output is a well established theoretical fact (Bråten and Langeland 2003). What is particularly interesting with Bank B's pension system is that stock revenues are not disbursed before retirement. Regardless of whether or not an employee is still hired by Bank B, he or she is not liable for annuities prior to the age of sixty, though the person's assets will only augment whilst he or she is still in the bank's service. As a result, employees are themselves the single largest group of owner in the firm (holding approximately ten percent of corporate assets). As funds are not distributed to anyone younger than sixty years, the pension is intended to maintain workers in continuous employment throughout their entire careers. As management representatives at Bank B expressed, "we wish to keep our clerks from hiring to retiring". It is interesting, in this regards, that Bank B – in difference to many other financial corporations – do not offer any remuneration additional to general wages, such as bonuses or prize rewards. Hence, management stated that their organizational challenge consists in retaining their labour force during economic upturns, and not when times were bad.

It is a noteworthy feature of Bank B – especially when compared to Bank A – that it has exclusively hired financial economists the last years according to our shop steward informant. (See section on 'Conclusions and Inferences' below.)

Sum Up

That Bank B aspired to incite their workers' effort and productivity by establishing an *individualized* pay system is obvious from a theoretical point of view, as all instances of individualization of remuneration is based on that goal (Bråten and Langeland 2003). When concentrating on Bank B in particular, several of the bank's idiosyncrasies need to be taken into account. Firstly, the bank stands out as having no variants of remuneration external to base wages. This will, expectedly, hold issues of base wage at the heart of the employment

relationship, since there are no other forms of payment to influence strategically for neither party. Secondly, and partly negating the first characteristic, Bank B has created an intricate pension system based on employees' joint ownership and liability to the company's market value. When implementing an individualized pay system, Bank B has by way of that system sustained employees interest in the overall prosperity of the company. Thirdly, and possibly of greatest importance, Bank B's adoption of the new pay system impinges on the firm's traditional organizational structure. Amidst the semi-autonomous departments in the corporation, all attempts to reduce the employment relation to local attachments have always been expressed as a chief concern to the corporation and a key ingredient of the company's strategy and profile.

It is central to the analysis that the alteration of a new pay system, for Bank B's part, rested more on the company's agenda than on new developments in the Financial Services industry. One industry development that was of outmost importance, though, was the exemption from the *Basic Agreement* Bank B was given by the trade union and employer organizations at sector level. No such relief has ever before been offered in Norwegian Financial Services, and our management informants were uncertain if the new pay system was formed in the way anticipated by trade union and employer organization. Although this is somewhat speculative, it seems doubtful that any similar exemption would be given to a Norwegian bank not positing Bank B's experiences from purely individualized pay systems in their departments outside of Norway.

To cut a long story short, the basic drive behind an individualized pay scheme has for many years been present, tacitly or overtly, in Bank B. In non-Norwegian departments the establishment of such has even been fulfilled for some time, leaving similar attempts in Norwegian branches dormant until last years bargaining round.

'Pay Interviews' at Bank B

There is no need to repeat the steps in the 'pay interview' sessions at Bank B since these are following the same basic logic as in Bank A. These being fleshed out in the section describing Bank A's variant, ergo a more fruitful (and clarifying) approach is to present the point at which Bank B departs from Bank A's alternative (see section on 'pay interviews' at Bank A above for comparison).

1. In Bank B it is *not* permitted to opt out of ‘pay interviews’. In effect, *all employees are discussing their salary individually*. That Bank B has compulsory sessions is interesting in that the *IRP* suggested them as voluntarily.
2. There are no wage budgets restricting department managements’ discretion in settling of payment. This is a ‘double-break’ with central constraints, in that neither is any pay grades from the *Basic Agreement* sustained, nor is the bank itself imposing any equivalents.
3. All employees are free to appeal an initial decision rendered after ‘pay interview’ sessions.

‘Pay interviews’ have been carried out for only one bargaining round at Bank B. Even though a new *exemption* from the *Basic Agreement* must be presented again, there is no indication that Bank B will not be provided with one for future bargaining rounds. According to the management representatives interviewed, the sector level organizations at employee and employer side in the Financial Services industry have an interest in seeing results (i.e. experiences) from more than one round of Bank B’s radical ‘pay interviews’.

5.3.1 Experiences from ‘Pay Interviews’ at Bank B

It goes without saying that all verdicts and proofs from only one bargaining round are deemed to be frail. To this study, opinions from two managers of staff representatives and the head of Norwegian shop stewards are provided. The responses will be dealt with in turn, with the two managers’ feedback given in unison, as they offered theirs simultaneously.

Management

Both managers have a long tenure in high ranking positions within the corporation. As both having now the same post centrally located in the Norwegian branch; and having been included firmly in the route to the new pay system’s adoption, their answers are advantageous to our study. It is interesting that both managers have occupied several different positions in the firm throughout their career, in that the “floating” around the corporation is an aim expressly stated as one of Bank B’s personnel policy objectives.

Generally speaking, management at Bank B regarded the concluded ‘pay interview’ proceedings with favourable eyes. Attempts to establish ‘pay interviews’ prior to the 2005 bargaining round were halted since preparations had not been carried out to a satisfactory extent. Several steps needed to be taken first; in particular the training and coaching of

department managers. Similar training was offered to members of *Finansforbundet* (sector level trade union in the Financial Services industry) concurrently. Preparations were not at summit before 2005, but thenceforth the bank's management considered the time sufficiently ripe. It will be mentioned in the section on shop stewards below, that the decision to implement in Bank B 'pay interviews' did not completely rest on management alone. The truth is that both the sector level trade union (i.e. *Finansforbundet*) and locally (i.e. shop stewards at Bank B) regarded an individualized pay regime as suitable to Bank B's business practice and organizational structure. Moreover, desires were announced, from trade union and employer organization, as to what inferences and experiences would ensue from a pay system "experiment" at Bank B.

Even though no similar attempts had been ventured in Norway, the corporation as a whole had implemented 'pay interviews' in non-Norwegian departments a couple of years before 2005. Resultantly, Bank B's management had well-founded expectations and predictions to outcomes and challenges that were likely to follow after implementation. It should be noted that the training of managers and trade union employees in the prelude to the pay system alteration was executed with such forecasts in mind.

According to our management informants' opinions, the first bargaining round by means of the new pay system unfolded successfully. Their positive evaluation was rendered from two perspectives. On the one hand, even though there was no wage budget restriction imposed on the different department managers, wage increment totals did not supersede the bank's financial capacity. The danger that the first individualized bargaining round would result in massive increases of payment was well perceived by Bank B's management. This, in fact, was some of the difficulties incurred by the bank in non-Norwegian locations, were department managers "inexperience" incurred the bank with unforeseen pay expenditures. On the other hand, there were very few appeals to the outcomes of the first round of 'pay interviews' at Bank B. Considering the magnitude of the corporation, five individual appeals of personal salary and one department complaint of 'pay interview' proceedings is not alarmingly great. Fears of opportunistic use of 'pay interview' appeals from "greedy" employees – another experience from non-Norwegian departments – also proved false, as according to our management informants.

The management's verdict after the first bargaining round could well be divided in two for the sake of clarity, even though the informants themselves did not offer any separated evaluation. From a *substantial* point of view, meaning the outcome in terms of actual wage increases and appeals, management expressed their satisfaction of the 'pay interview'

sessions. Still, they seemed in want of further results from ensuing bargaining rounds in order to assess the *procedural* workings of the new pay system. Phrased differently, it is too early for the bank's management to conclude whether or not the successful outcome of the first bargaining round was brought to completion due to sound proceedings or out of happenstance.

Shop Stewards

The shop steward representative interviewed to this study has had a good overview, and has been actively involved in, the implementation and proceedings of Bank B's new pay system in that the person is the senior shop steward in the Norwegian branch of the corporation. As such, the person is, *ipso facto*, represented in the firm's head office abroad as well. Needless to say, the informant has been highly beneficial to the empirical groundwork.

In the prolegomena to the establishment of the new pay system, both *Finansforbundet* and shop stewards thought it necessary to implement provisions of employees' salary protection that were not present in individualized pay system in non-Norwegian branches of the corporation. As a result, employees that receive no pay increment during 'pay interview' rounds will have their case recorded and reported to shop stewards. Moreover, an employee not receiving any increments for three 'pay interview' rounds is guaranteed a minimum increase. The greatest difficulty to the shop steward was, however, not to come to agreement with management over the new pay system, rather to convince employees to consent with its adoption. The informant travelled to the different departments across the country in a mission of persuasion and information long before the pay regime was altered. (It may serve the purpose to restate the sector level trade union in the Financial Services industry had approved to Bank B's pay system remodelling.)

Non-Surprisingly, the shop steward representative encountered strongest resistance to the new pay system from what may be described as *weaker* groups of workers. "Weak" here signals workers have little, or (partly) dated, education, and have been working within the corporation for several years. "Stronger" groups include young, highly and recently educated staff members. (This characterization of the groups was given by the shop steward representative.) It is a well established conviction in the Industrial Relations literature that older and lower skilled workers will favour collective wage settlement and principles of seniority as opposed to individual pay systems (Crouch 1982). Correspondingly, young and highly educated personnel are prone to welcome wage settlement based on personal merit and economic achievement. What is taken as main explanation for this pattern, is both the *wage*

suppression accommodated by collective wage bargaining, which is appreciated by “weaker” groups, though not by “stronger”; and the less precarious position the latter group enjoys by their easier route to occupational change (Marsden 1999: 121). That is, “weaker” groups are more prone to seek the establishment and preservation of collective pay systems, as those will elevate their salaries and because such workers have less options of changing employer in case of dissatisfaction. Another way to articulate the relationship is by following Hirschman (1970) who establishes that group-strength can be underpinned by the group’s capacity to either “exit” from the situation, or to expresses dissatisfaction through their capacity to use “voice”. When the taxonomy is transferred to the employment system, the choice to “exit” which, of course, simply means to quit the job, will only be an effective strength to groups of employees who is acknowledged not to be in dire need of any particular employer. In effect, only employees whose labour power is in high demand in the labour market can invoke the option “exit” as a power in negotiation and bargaining. The important point is that such groups of employees have less need of collective means to power, which in this instance can be subsumed as the option “voice”. Prosaically put, workers resist better together, but quit independently. This, in turn, implies that so-called “strong” groups are the more prone to welcome *individualistic* employment arrangements.

As already said, so was the case in Bank B. The shop steward admitted that that the salary protection schemes (see above) could have been the decisive point in obtaining the resisting groups’ approval of the new pay system in the end. The informant wished not, however, to exaggerate the clustering (in groups) of employees’ attitudes to the new pay system. Allegedly, there were neither strong resistance, nor any strong geographical or demographical clustering of such amongst any particular of the corporation’s employees, rather, there was everywhere a challenge to bring *all* clerks simultaneously to consent. But, as the shop steward further responded, it seemed merely to be a matter of providing employees with thorough information of the ‘pay interviews’, something that probably reflect the flat organizational structure of Bank B and the demographic characteristics of its staff.

5.3.2 Inferences

Partial and suggestive as inferences after only one bargaining round may be, some will be offered on the workings and results from Bank B’s new pay system. Even though management and shop steward did not convey strikingly dissimilar verdicts, the ensuing section will separate between the two.

Management

It has already been mentioned that it is somewhat difficult to trace the alteration of the new pay system at Bank B to a singular decision of doing so by management. Firstly, the bank corporation had already ventured at such in its non-Norwegian branches, and secondly, trade union and employer organization were not opposing the “experiment”. Moreover, the individualization of wage regime was less an attempt to cope with some particular business challenges than it was an effort to bring all business workings into accord. Both domestically and internationally, the bank has for long tried to build down strict hierarchies and facilitate internal occupational shifts for employees *within* the corporation. Following Marsden (1999), internal job rotation will, matter-of-factly, demand that employees embody skills that are abstract and transferable. Bank B’s employment policy, which is to seek mostly highly educated personnel, seems to match that requirement. This ease of job rotation must, though, be assumed with due reservations. One could, for instance, think that increasing wage gaps between outlets in the company to hinder the fluctuation of employees when suddenly some outlets prove as far more prosperous job locations than others. We cannot, however, stress this point any further as no such development was revealed during interviews, and, of course, as the new pay system is only now cementing.

What is more, as explicated in the paragraph of so-called “strong” employee groups (above), highly educated employees can be expected, *ceteris paribus*, to approve of individualized pay systems. As has also been mentioned, highly skilled workers are more apt to leave (i.e. use their option “exit”) and do by that make up a “strong” group of employees. During periods of good economic conjunctures – such as was the case in the Financial Services industry of Norway at the time of this study – management will need to offer adequate compensation to its employees lest to lose them to competitors. Although not exactly stated thus during interviews, it seems plausible to suppose that management at Bank B – well aware of this threat and of their contemporary economic situation in the market – regards individualized pay settling as a valuable incentive to maintain their labour force. – To reiterate and clarify; highly educated employees are expected to commend pay regimes that fix salaries at a personal basis, since such tend to increase their wage levels. The reason being the strong *individual* bargaining power of these employees and their capability to influence own remuneration. It bears repeating here that Bank B does not offer any additional payment to its workers, which further channels their attempts to influence it to the fixed salary. In that way, the new pay system at Bank B seems well in consort with the overarching employment policy of the organization. At least, it is here inferred that without a corresponding logic

embedded in the bank's remaining structure, the mere desire to spur productivity through 'pay interviews' would probably not give the new pay system an equally easy entry.

By means of an analytical division in *procedural* and *substantial* outcomes of the first round of 'pay interviews' at Bank B, it was previously stated that the successful *substantial* results from the first bargaining round – in terms of absence of total wage profusion and lack of appeals from employees and departments – could not conclusively be accredited good *procedural* accomplishment after only one proceeding. Hence it will no more than be suggested here that the 'pay interview' sessions were probably well enough prepared and enacted. At least, preparations seems to have been completed satisfactorily, as both department managers and employees themselves were trained and acquainted with the adoption of the pay system reshaping in advance of its implementation. Support to this supposition may be derived from the fact that the transformation was decided to be delayed for one year (i.e. until after the 2004 bargaining round) as the time was not yet considered ripe. If nothing more, this halt can be assigned to a general willingness of Bank B's management not to change wage policy immaturely. All in all, not only management at Bank B, but also trade union at sector level and trade union representatives locally are in want of further evidence from ensuing bargaining rounds in order to offer a conclusive judgement – and so will we be.

Our verdict here will be that management at Bank B accomplished a goal – covertly present in the bank's organizational structure and the demographical characteristics of its employees for a long time – of bringing pay policy in line with all other employment strategies. Furthermore, it is here inferred that experiences from the bank's non-Norwegian departments contributed to the advantageous results of the first 'pay interview' sessions.

Shop Stewards

It is important to bear in mind that the sector level trade union in the financial services industry in Norway had agreed to (if not recommended) the attempt to establish an individualized pay system at Bank B. Apparently, the grounds for this attitude was the desire to experiment with such arrangements in the Norwegian employment environment, wherein Bank B was considered the most apt candidate for doing so. As its local representative, our shop steward informant (partly) acted on trade union behalf as well as in accord with the interests of Bank B's management when heralding the new pay regime to the bank's employees. More, the bank's shop stewards were actively involved in the groundwork leading to the establishment of 'pay interviews'.

In this way, the challenge met by shop stewards, by and large, consisted in convincing employees of their benefits from the new pay system, and in assuring their “safety” after its adoption. In the preceding exposition of Bank B’s employees, their characteristics as mainly “strong” groups of workers was postulated on the grounds of their educational attainments. Our shop steward informant would not offer any indications that there were any discernable groups of employees that were more opposed to the new system than others, and it is here conjectured that this lends support to the notion that “strong” employees are the more inclined to admit *individualized* employment arrangement – such as ‘pay interviews’. It seems possible that some reluctant employees were persuaded from the wage guarantees Bank B chose to implement to the new pay system. These guarantees were specifically targeted to those who did not enjoy any pay augmentation for many bargaining rounds, and thus somewhat in conflict with the crucial logic of ‘pay interviews’ in that they inflicted the new pay system with some automatic element of wage increase. In absence of any clear articulation of the grounds for implementing such, it can be inferred that the wage guarantees were either permitted in order to avoid resistance to the new pay system, or to meliorate its radical nature. In any occasion, Bank B’s more resistant manpower probably endorsed the new pay operation more agreeably once the minimum wage safety was certified. – Or, it was pre-emptively acceded by management to remove resistance. Our analysis will here condescend to a mere view of the outcome – that “safeties” was indeed implemented – instead of probing the exact grounds for their inclusion.

The radical break with central bargaining rounds in the Norwegian setting by Bank B has not passed unnoticed by other financial institutions. Our shop steward informant imparted that representatives from the entire industry is following the progress of the company’s ‘pay interviews’, and acknowledged that Bank B’s wage policy had relevance to all Norwegian banks. Though our shop steward, just as Bank B’s management, considered that the first bargaining round had unfolded satisfactorily, the conclusion was not that all remaining banks of Norway should individualize their pay systems accordingly. Two connected points were transmitted by the shop steward that seems relevant in this regard. Firstly, the informant accredited ‘pay interview’ success to the flat organizational structure that had existed in the corporation long before the pay regime was altered. Secondly, there was not expressed any significant break of the role of shop steward with the new system’s introduction. In verbatim words, the only difference was that employees’ salaries were now dealt with concurrently. These peculiarities of Bank B led our respondent to conclude that not all bank businesses are as suited for individualized pay systems as this very company proved to be.

Our inference will thus be that Bank B's accomplishments were (at least) as much a matter of the firm's extant operational structure, as of well planned and organized route towards its completion. Or, even more plausibly, the organizational structure was well suited to accommodate the planning and enactment of 'pay interviews'

Summary

A swift summary of a document drafted by a joint commission with representatives from *Finansforbundet* and *FA* translated to the *Individualization of Remuneration Proposal (IRP)* was offered. This document resulted from an investigation concluded from "within" the financial industry, and unfolded as a proposition for Norwegian banks to follow a Swedish example of further decentralizing wage fixation in the sector from the status quo. The *IRP* was a twofold proposal consisting of one "moderate" and one "radical" break with existing wage settlement. The "moderate" alternative were not so much an actual break with clause 14.5 as it was to bring forth, and formalize, the potentials of decentralization already dormant in the *Basic Agreement*. The exact ways to pursue the modest variant were not specifically articulated in the proposal, but in some way or another banks were suggested to include issues particular to individual payment in the already extant 'appraisal interview' sessions conducted in all Norwegian banks. If a bank should choose to commit a "radical" break with matters as they are, the *IRP* suggests that the corporation should follow the more extreme banks of Sweden in enacting mandatory 'pay interviews' wherein all issues of payment is discussed and tabled during direct conversation and negotiations between employee and employer.

Next, a thorough description of two banks, each following separate paths towards the adoption of, more or less, the same pay system; namely, wage settlement through 'pay interviews'. A case was made for claiming the two case banks to have progressed along one of the avenues to pay system change as precipitated in the *IRP*.

The empirical material from this section will be further dealt with in the ensuing section in which the findings from the two case banks will be subject to comparison before we can proceed to the last and conclusive section of this thesis.

6. Comparison between Bank A and Bank B

For the sake of simplicity and clarification the empirical comparison section will commence with a discussion of likenesses between bank A and B, thence give a more thorough account of important dissimilarities. To precipitate, it will be claimed that the similarities between the two banks are mainly found in the structure of the altered pay system, whereas the dissimilarities are found as expressions of the somewhat diverging routes up to pay system alteration, as well as in assessments of the outcomes expressed by some respondents. In this way, our comparison follows a very basic logic for choosing cases; namely, what Charles Ragin calls ‘Mill’s Method of Agreement’ were the (different) causes of a similar phenomenon is under investigation (Ragin 1987: 36).

6.1 Likenesses

The most immediate, and obvious likeness between Bank A and B is that both enacted individualized pay system during the same period (two seasons preceding our study at Bank A, and the following season at Bank B) and had done so in more or less the same way; namely, by settling wages through yearly ‘pay interview’ sessions. This implies case-likeness in that they both reveal one same phenomenon. In the separate case sections 5 (above), the basic sameness of the details within the two forms of ‘pay interviews’ were highlighted and it was clear that the fundamental structure did not differ too much at mere face value. If we (for now) disregard the minute details of ‘pay interview’ procedures we pause by noting an overall similarity existing between the two schemes. That is, we have researched two instances of pay systems that have it in common that company level wages are discussed and settled in face-to-face negotiations between line managers and their immediate subordinates all the way through the organizational hierarchy, without any “collective” (here meaning trade union) intervention permitted before any appeals of initial pay fixation are being raised. Consequently, both pay systems are *individualized* and none of them permits any local shop steward influence on the numerical wage dispersion. At this level of superficial reading, the two firms exhibit somewhat similar outcomes as well.

There is mainly one similarity between our cases that is indisputably salient, and which has to do with the way the two companies are organized. Expressly, that they both were formed as conglomerations of network businesses with a fairly decentralized structure amongst the various outlets. What was intimated in the theoretical sections on decentralizing

tendencies (see chapter 3.4, above) was that there are strong grounds for expecting firms organized in such ways to favour more individualized ways to settle wages as this will provide the organization to confer managerial autonomy to its sub-departments and thus offer strategic option of action to those who have direct acquaintance with the employees under payment revision. Our assertion here is that this theoretical anticipation was supported by the empirical material in that both banks' management informants stressed this organizational characteristic when depicting their respective firms.

Our verdict is thus that two important similarities between our cases may be pinned down to (i) basic pay system characteristics and (ii) organizational structure. When giving theories of decentralization (see chapter 3.4 above) and of industrial relations (see chapter 3.2 above) due consideration we would, rather plausibly, assume that the second shared feature has been a vital spur in the development of the first. Meaning; the existence of a kindred decentralized organizational structure were, for both banks, probably the single most important factor to the decision and actual adoption of pay system individualization. The theory, at least, will have us to believe so (see section 5 above). That both banks opted for so-called 'pay interviews' has to do with the available repertoire of alternative ways to alter pay regimes at the industry in question. At sector-collective level, discussions had centred on whether or not, and how, the then recently adopted 'pay interview' model in Sweden should have its Norwegian followers. (This was revealed under a preliminary interview completed for this study with a representative from *FA*.) Most clearly this tenor was materialized in the *IRP* (see chapter 5.1) which was explicitly followed by both our case banks, although they diverged in the exact way this was done. This, of course, brings us to the discussions of dissimilarities between our cases.

6.2 Differences

"Numerically" speaking – if not qualitatively – this study contends that there were more identifiable differences than there were exact correspondences between our cases. That is why this part of comparison will be disproportionately long. A more in-depth comparison reveals that there indeed was some dissimilarity that may serve to explicate how the two 'pay interview' systems entailed different results. Those will belong to the final and *substantial* conclusions, presented after a short glance at purely descriptive and formal differences between the two forms of 'pay interviews' are given. The conclusion from this "detail work"

will be that the division of a ‘moderate’ and a ‘radical’ way of pay system alteration presented in the *IRP* was indeed echoed in the differences of the two versions from our cases.

First of all, employees at Bank B were *not* permitted to decline engagements in ‘pay interviews’. At a formal level, this has the effect that there was no separation between who were, and were not, eligible to appeal initial decisions at Bank B, such as was the case at Bank A, where only those who had their payment fixed in ‘pay interview’ sessions could apply for formal appeals. The few appeals applied for at Bank A do, however, restrict this difference to a mere formality. Secondly, there are no wage budgets restricting department managers’ discretion in settling of payment at Bank B. This is a ‘double-break’ with sector-level constraints, in that neither is any pay grades from the *Basic Agreement* sustained, nor is the bank itself imposing any equivalents. This is a substantial difference to our analysis in that it can be taken as an expression of the more fundamental, or ‘radical’, nature of Bank B’s pay system. What is more, it is also taken as a signal of the exceeding decentralization of this bank’s organizational structure (something that will be given theoretical pre-eminence in the final part of our comparison). All-in-all, the formal differences between the two forms of ‘pay interviews’ are here taken as an indication that the two alternatives that fairly well fall into the two avenues sketched by the *IRP* without, in and for themselves, any substantial consequences beyond that.

What has great importance to our study, however, is that management informants from the two cases admitted different grounds for enacting individualized pay systems at their banks, respectively. Bank A had recently engaged in two grand – and interconnected – endeavours to restructure and renovate its organization. The one was the additional education programme; the other was the individualized pay system. It was apparent, during interviews, that both occurrences formed part of a broad organizational strategy to modernize the routines and skills of the corporation’s manpower. Mainly, this strategy was an attempt to cope with the “aging” of Bank A’s employees whose skills were no longer up-to-date. This was a challenge not experienced by Bank B, as its clerks were of a younger – and more recently educated – demographical composition. So for Bank B’s part, the instigation to individualize the pay system was primarily an expression of a wish to bring all of the company’s employment policies into accord. It bears repeating, in this regards, that the “Swedish example” of individualized pay systems in banks, was, probably, a more immediately perceived alternative to Bank B, as its non-Norwegian branches had already for some time enacted pay regime of such kind. Bank B’s employment policies had a tradition of continuously encouraging additional education, as well as inter-firm job rotation. In such a

climate, there was, probably, less need to pursue targeted attempts to increase workers' productivity, and so the individualization of payment was in that way something that lied vested in the very foundations of the firm, rather than in an *ad hoc* engagement. Or, put simply, 'pay interviews' was a designated employment instrument at Bank A; whereas Bank B's enactment of it was more a manifestation of a latent desire in line with the corporation's remaining operations.

Another trait may serve both as description and explanation as to why Bank B chose the more "radical" form of alteration from the *IRP* in comparison to Bank A's alternative. The fact is that Bank A offers its employees some sources of revenue external to the standard wage rendered during 'pay interviews' – most importantly, bonuses. At Bank B, on the other hand, there are no such arrangements and, as a result, the banks entire capacity to employ remuneration as a strategic instrument is completely contingent on the local discretion in 'pay interviews'. Such are the descriptive difference. If we are to venture with an explanation of the factors leading to Bank B's more "radical" transformation of pay system, the bank's lack of extra-wage remunerations might have played an important role. A bonus is a form of revenue designated to increase workers short-term productivity (Bråten and Langeland 2003: 14) and is, in many regards, to be considered as a complement – or alternative – to individualized pay systems. A component of Bank B's employment policy is that bonuses are in essence unpredictable forms of salaries that do not match with the company's profile of sustaining long-term stability, irrespective of economic fluctuations (see case-specific section). The restriction of all payment strategies to the 'pay interview' may have been an additional incitement for Bank B's decision to abolish all wage components from the *Basic Agreement* as the absence of any bonus arrangements made the standard wage the only remuneration available to *individualizing* restructuring.

Lastly, a marked difference between our cases – that party reverses the likeness of organization structure mentioned above – must be reiterated. Even though both banks were depicted as decentralized conglomeration companies, Bank A is less so due to its local confinement. In contrast to Bank B, whose outlets are spread over all of Norway (as well as other countries), all of Bank A's departments are located in a rather limited geographical area. We here conjecture that the difference in motivation for the adoption of, as well as exact drafting of, 'pay interviews' for the two case banks arose from this geographical dissimilarity. As Bank A's management informants revealed, emerging competitors in their domestic region was the determining factor that lead to the decision of the two restructurings; the additional education programme and the alteration of pay system. Bank B's informants did not, on the

other hand, convey any agitating experiences of newly arrived competitors to their market segments as antecedent to their change of pay system. The interpretation is, then, that Bank A's more rigid market segment paved the way to a moderate shift of pay regime as an (at least partly) *ad hoc* attempt to fight off recently perceived difficulties; whereas Bank B opted for a more "radical" alternative as a means to unite all outlets' wage policies in a broader restructuring brush.

Differences in Outcome

The short time span during which our case banks' new pay systems have functioned inhibits us from drawing too far reaching and *substantial* conclusions of outcomes. We will therefore focus on one common, and one different result for the two banks.

6.3 Common Results

At the broadest level informants from both cases expressed that a final assessment of the adoption of 'pay interviews' was indeed in wanton, though prospects seemed to point in the direction of an all-in-all favourable review of their adoption. It is interesting that management representatives from the two banks conveyed their opinions of satisfaction, as the introduction of new pay systems in both cases were ultimately a management decision. Moreover, the absence of vast employee complaints (such as initial wage level appeals) was further interpreted as indications of an overall employee contentedness with the new system. An employee informant was only available for interview from Bank A. This, of course, makes it impossible to make any direct comparisons of employees' personal assessments, at least for the remaining bank. The employee interviewed did not communicate any perceived discontent with the new pay system, and believed to be speaking on behalf of non-interviewed co-workers in not giving such. The impression from the interview with Bank B's shop steward was that this bank's employees were of the same opinion.

6.4 Divergent Results

It is rather difficult to give any inferences of substantial nature based on the descriptive differences between the two banks' drafting of their respective 'pay interviews'. There is, however, one *procedural* difference that greatly appertains to our study because it has to do with the role conferred to shop stewards in the two case banks. As such, the difference touches upon Marsden's (2001) advice for modern trade unions, and their local

representatives, to engage in the *procedural* operations of local pay systems instead of traditional attempts to establish *substantial* (i.e. nominal) wage standards (see discussion in section 5.d. for details). In which of the banks did the shop stewards acquire and occupy a role that, more or less, resembled Marsden's prospects? The claim here will be that Bank B's shop stewards do to a greater extent than those at Bank A, even though the long-term outcome is unpredictable. This proposition must be defended. In the case-specific sections we saw that a divergence in the trade union representatives' assessments as their responses differed both in terms of objective descriptions of their role, so far, in the adoption and proceedings of new pay systems; and in terms of more subjective evaluations of the process. This study's primal finding has to do with this discrepancy.

The conclusion here is more alike an intimation than a definite verdict, in that informants could primarily express their experiences from the process leading to the new pay system. An investigation of the processes of pay system establishment has not been intended from this study. So, with due precaution, it is but postulated that there (i) were a difference between the case banks that had to do with shop steward position in wage formation, and that this difference (ii) couples with the difference between *substantive* and *procedural* influence of wage fixation.

We begin with Bank A. Shop stewards here expressed unease as to how to continue to exert any influence over wage dispersion after the new pay system had removed them from that sphere of decision. Even before the alteration, their main occupation as employee representatives consisted in matters having to do with rewards from the bonus system, but after the change shop steward informants conjectured that this might be their only avenue to influence workers' salaries. The exact working of Bank A's bonus system was not revealed, though shop steward influence on the system seemed to be concentrated on the dispersion and less on the reward criteria. Whether or not this is the case, a bonus system is not a matter of standard wages, and has less to do with collective bargaining than those have. Consequently, the loss of substantial influence of payment was not expressed to be supplanted by any procedural wage settlement influence.

By turning to Bank B we note that shop stewards were less worried of their future role as employee- and trade union representatives in matters of payment. In the incipient steps leading to the pay system alteration shop stewards here were cautious to include several provisions of employees' salary protection that were not present in individualized pay system in non-Norwegian branches of the corporation. These provisions established that employees lagging behind, or falling out of, the new pay system would have their cases reported to shop

stewards. The inclusion of these provisions not only signals the shop stewards success in influencing the procedures of the new system, but also secured a continuing role for shop stewards in wage-procedural matters.

The insinuation here goes that Bank B's shop stewards early in the process of pay system alteration established and secured a role of procedural influence in wage specific matters, and may in that way have their position regarded as congruent with what Marsden (2001) considers to be the vital and sustainable shop steward function in decentralized settings. At least from what Bank A's informants would reveal, this was less the case for this bank. The most likely reason seems to lie in the difference between the demographical characteristics and composition of the employees at the two companies, respectively.

The employee groups affected by Bank B's pay system transformation consisted predominately of highly skilled, young, and recently educated personnel. As already stated, such employees are likely to welcome individualized pay settlement due to their strong market position and, hence, great bargaining power. The shop stewards representing them were, in consequence, acting on behalf of a group in little resistance to the new system. This supposition is further supported by the fact that shop stewards thought the shift of system to be suited to the corporation and partook in meetings and hearings to inform and convince the bank's employees that 'pay interviews' were promising to them. Moreover, information was sufficient to bring Bank B's employees to consent.

We have no proofs that Bank A's employees were conspicuously "weaker" than their Bank B-counterparts, but we do know that this bank's management chose to individualize the pay system as a part of a specifically designated measure to incite the alleviation of workers' skills and productivity. We may envisage that this targeted attempt would offer less room for shop stewards to influence the drafting of the new pay system than would the more latent individualization of payment at Bank B. That is, one could plausibly assume a more uninterrupted process of pay system individualization when it echoes the fundamentals of the firm's philosophy (Bank B) than when it reflects particular strategic attempts (Bank A).

A final note will be made that there is a greater potential for wage dispersion in pay systems similar to that of Bank B, since no general wage increases from the *Basic Agreement* is here implemented. This instance will, however, here be laid to rest as there is no evidence of such manifestations for the time being.

Summary

The chapter of case comparison revealed the similarities and dissimilarities between the two case banks, the basics of which will be presented here in brief.

The first, and obvious, similarity between the cases was that they had both ended with more or less the same procedure for determining wages after the alteration of pay system; namely, the inclusion of wage negotiations in the extant ‘appraisal interviews’. Another case similarity was that the two banks were structured in similar fashion. Meaning, they were both organized as network businesses with fairly decentralized structure. As the dissimilarities are of great interest to ensuing interpretations and inferences, those will be divided in a pre- and post-alteration cluster.

An initial observation reveals that Bank A is exclusively a Norwegian company with outlets in the same geographical region; whereas Bank B both has departments evenly spread over the whole country, and is of non-Norwegian origin. This pre-alteration difference is accompanied by the fact that only the former bank chose to abandon its old pay system in response to perceived economical challenges: when Bank B’s old system lapsed a long held wish to do so was fulfilled. The challenge Bank A sought to combat was a general aging of employees’ skills; a threat the younger and more varied composition of Bank B’s manpower inherently withheld.

In between pre- and post-lapse there is a case difference that has to do with the intention for alteration as well as with the role of ‘pay interview’ wages. In Bank B the position of wages rendered from ‘pay interviews’ are easy to comprehend, as there are simply no other sources of remuneration to the banks’ employees than the rewards disbursed from these sessions – both pre- and post-lapse. The picture is far more complex in Bank A because the bank after pay system alteration continued to expend revenues from a bonus system. It bears repeating that Bank A’s shop stewards both under old and new pay regime claimed to place bonus-related issues on top of their agenda, as this fact brings us over to the next point of difference; namely, the role of shop stewards.

The only point suitable to mention regarding shop steward role difference in a summary chapter (such as this) is that there were most complaints as to how pay system change was pursued and accomplished at Bank A. Some tentative interpretations have already been given, but further assumptions belong to the next section which will give the more far-reaching (if not speculative) assertions regarding the study’s research findings. The likenesses

and differences between the cases described in this section bring us to the last and analytical section of the paper.

7 Conclusions

This section will attempt at bringing the theoretical and empirical threads of the study together. It will be apparent that no conclusive assertions can be extracted from the working material; rather, some inferences and suggestions may be rendered. The section will depart from the hypotheses of the study given in section 1.c. and relate those to the cases investigated – mostly from the case comparison section (section 6). The theoretical contributions dealt with in section 3 will be consulted in order to support or explicate inferences.

7.1 Larger Considerations; “Decentralizing” the Discussion

The research questions of the study will be dealt with in reversed order, so that the overarching question is targeted lastly. We start with sub-question one.

Sub-Question 1: What can we learn about pay system individualization in the Norwegian financial services sector by analysing and comparing the developments and consequences from such alterations in our two case banks?

An intruding observation of this study is that different corporate desires and strategies, as well as diverging economic imperatives imposed on banks, may produce the same attempt to individualize pay systems. As was mentioned in section 4 dealing with the Norwegian financial services industry, wage settlement in the sector runs along pretty coordinated lines as most Norwegian banks are organized, and thus do comply with the sector level *Basic Agreement*. More, the vocational characteristics of trade unions members among bank clerks do not fertilize contentious soil of industrial relations (see table 1 with entailing discussion of Scheuer’s schema in chapter 3.2). Hence, under the auspices of the industrial relations in the Norwegian banking sector, company initiatives regarding pay system alteration would most probably result in *individualizing* attempts, as this is the way companies would depart from standard wage settlement. What is more, it is a well-established theoretical notion that individualization of payment would be a suitable measure to increase productivity (see e.g. Bråten and Langeland (2003) or chapter on ‘New Organizational Strategies’ entirely, under chapter 3.4, above). When these two factors are taken into account, we would probably not be all too surprised that two banks that differ in such vital corporate characteristics as

demographical composition of clerks; country of company's origin; geographical market segments (to name but the most diagnostic) such as was the case with the banks investigated in this study, would end up with choosing pay individualization as avenue for organizational upgrading.

Neither need we jolt over the undisputable similarity of the new pay systems at the two case banks. Meaning, even though the two firms implemented 'pay interview' sessions as a matter of independent and separate decision processes, they had both consulted the same material and experienced the same ideological currents in the financial services industry. This study has explicitly dealt with something that can be seen as the tip of the iceberg as far as trends in the Norwegian banking consciousness goes; namely, the *IRP* proposition rendered from the most important sector level actors (see chapter 5.1 for proposition details). The *IRP* did sketch out the most apt ways to change pay systems for Norwegian banks, and informants from both our cases admitted to their familiarity of the document. The proposition did explicitly mention that a plausible way for Norwegian banks to settle wages at more individual level would be to include direct negotiations between employees and employers in the already present 'appraisal interviews' committed at almost all Norwegian firms – irrespective of industry. In effect, the *IRP* was advising Norwegian companies to imitate individualized pay systems enacted in the Swedish financial services industry by proposing so. Furthermore, the proposal in that way articulated the Swedish role-model position, well perceived by all who either read the document or were acquainted with developments in the Norwegian and Swedish banking sector.

The *IRP* implicitly expresses the contingency to the institutional setting and the dependence of available repertoire of action that invests the actors if, or when, those venture at restructuring endeavours. In a more mundane jargon; the *IRP* depicted how payment in Norwegian banks could be individualized without violation of the *Basic Agreement*, and the proposal therein to include pay negotiations in the already extant 'appraisal interview' supports the notion that extant arrangements would direct courses of continuing action. And, of course, the fact that both case banks did include 'pay interviews' in the 'appraisal interview' sessions only further approves of the contingency notion.

The basic answer to research question 1 is then that pay system individualization might be an available means for Norwegian banks to grapple with *various* organizational challenges.

The second sub-question more specifically targeted wider reaching issues.

Sub-Question 2: What inferences that appertain to the entire sector can be rendered from an analysis and comparison of two instances of the same form of pay system individualization among Norwegian banks

Insofar as our empirical material may serve to answer the second research sub-question, an allegation would be that there is room for individualization of pay systems for Norwegian banks, both by a “moderate” break with the *Basic Agreement* (Bank A) and by a more “radical” (Bank B). This can be read out of the *IRP* as well as out of the cases of this study. As already mentioned, the diverging grounds for doing so between the case banks would have us expect that different organizational desires could unfold in a similar decision of pay system individualization. The sameness in outcome (meaning similar pay system) is a likely reflection of how institutional settings serve as conduits that shape the end result. Our case banks do, however, impel us to state one important reservation. The “radical” bank (Bank B) did in fact break completely with institutional settings in that the *Basic Agreement* was abandoned altogether in terms of wage settlement. Whether or not this bank will be given permanent exemption from the *Basic Agreement* is unsure at this moment. For the time being, applications will have to be filed by the bank and revised by the sector level parties prior to all bargaining rounds and it is not at present certain that grants will be provided from *Finansforbundet* and *FA*, nor is a permanent exemption calculable. This brings us to considerations of grander scope, since the proceeding development is likely to be influenced by other Norwegian banks that are monitoring the “radical” bank’s experiences. These observers form potential candidates for seeking “radical” breaks from the *Basic Agreement*, and the sector level collective organizations will probably decide their stance accordingly.

The research design would be unjustly catered if continuing considerations were not subsumed under the basic question of the study.

Basic Question: How can one understand the causes and developments of individualized pay systems in the Norwegian financial services industry?

The numerical scarcity of cases investigated in this study make grand scale inferences partly frail. The basic research question is more decently approached by attempting a final alignment of the theoretical discussion with the empirical material as they both have been dealt with throughout the progressions of this thesis. All theoretical contributions have been intended to fledge analytical thoughts suited for explications of decentralizing tendencies in a specific

segment of industrial relations. Their rejoinders with this study's empirical material continue below.

Towards a Round Up

The crux of the exposition of a sociological perspective of wages given towards the end of chapter 3.1 (above) was that wages in collective bargaining is not merely a question of nominal and real augmentation of wages, but stand in relations to other wage levels within the labour force (Høgsnes 1999: 13). The same was, with reference to Scheuer's scheme (chapter 3.2 and table 1, above) said of trade union activity, as this activity inevitably reflects many parts of their member masses' desires for wages. The fact that shop stewards at both our case banks consented to the new and individualized pay systems gives us an indication as to where in Scheuer's diagram to place the local trade union representatives. Because both banks had their pay systems restructured as a matter of management decisions, the acceptance from the part of shop stewards proves their reluctance to thwart management strategies. This attitude characterizes Scheuer's group (A) 'Service-orientation' where members typically execute a particular task or assignment in their work location, commonplace to so-called white-collar jobs (see table 1). These members' loyalty is primarily directed to their employer, and will not favour trade union strategies that run at odds with their employer's interests. Hence, they are not collectivistic in that goals appertaining to the entire industry of their occupation are given but secondary importance. As they are not part of any legal, or effective-but-non-judiciary, profession, there is no determined educational path to their vocation.

Furthermore, there are indications that the 'service-orientation' portrays members in the entire sector, and not only the ones from our case banks. For instance, the fact that the sector level trade union (i.e. *Finansforbundet*) granted the "radical" Bank B with the exemption from the *Basic Agreement* gives us grounds to extrapolate the same stance to all organized employees in the banking business. The risky rendition is then that the employee side among Norwegian banks might be amiable if or when bank managements venture pay individualization. The reasons for darting speculations in that direction is that the sector level trade union (*Finansforbundet*) has already proven their willingness to allow for company level self-governing, and that company level shop stewards from our case banks represent employee groups that give their primal loyalty to the firm that contract them.

Another theoretical contribution with descriptive potential is that of Crouch (1982: 114) who depicts a continuum over trade union activity in the bargaining process ranging from concerted to contentious behaviour (see chapter 3.2). The share fact that the *IRP* was

drafted by the sector level employer association together with the sector level trade union – let alone the fact that the *IRP* did propose for pay individualization – places the banking sector at the concerted end in Crouch's diagram. All in all, our empirical material instructs us to describe the Norwegian banking sector as a concerted branch of industrial relations where the negotiating parties seem willing to concede strategic option to company level.

The next pressing question is whether or not we should expect Norwegian bank managers to pursue individualizing wage formation in the future. From our empirical material there are two immediate indications that so may be the case. First of all, at both our case banks the alteration of pay regime was a management-led decision. Secondly (given in answer to research sub-question 1), the two banks differed in their reason for changing pay system. Taken together, these two points from our material tell us that managers in the Norwegian banking sector have the will and option of individualizing payment, and may do so out of different desires. To sustain the conjecture further the core of the discussion on the “new economy” (chapter 3.4) will be reiterated, as it informs us as to why continuing decentralizing pressure from the employer side is likely to be the case.

Section 3 d. attempted to furnish a sketch of a “new” economy by arguing that two separate organizational features in certain modern economic sectors are likely to coexist, and are probable sources of decentralizing tendencies at that. The section defended the notion of a recent economic imperative that forces firms to run and operate in a *flexible* fashion. The two features hinted at were (i) new financial logics, and (ii) new personnel policies. The two occurrences can be visualized as (i) a development from above; and (ii) one from below management, or, company level. A short recapitulation might expedite the discussion.

(i) The transformation of financial logic has its roots in new financial procedures, and is directly connected with modern bank corporations *qua* financial institutions. As the financial markets have merged into one singular network of pecuniary circulation, economic decision power have shifted from company managers to stock holders who are now directing investment choices. This was (as elaborated in section 3 d.) the shift Fligstein envisaged as a new doctrine wherein firms' only legitimate purpose is to *maximize* (not merely *increase*) the value of its owners' shares (i.e. the return on stockholders' investments). The main indicator as to whether or not managers have succeeded in their strategies is in that way the share price of the firm in the stock market (Fligstein 2001: 148). Under such circumstances it is not suitable for firms to organize their business in a traditional way, since sustainable corporations must be able to shift their production output, or provide a wider range of services, in order to meet the demand of profitability, lest investors withdraw their funds. For

the sake of clarity, we state that the “old” economic imperative, which encourages firms to incorporate early production processes in the firm, is to organize bureaucratically. Correspondingly, “modern” firms that incorporate later production sequences or commercial endeavours are impelled to stay flexible enough to alter their output in accordance to changing customers’ and financiers’ demand. When customer demands on the one side, and the stock market’s pricing of the firm on the other are followed by firms, these will inevitably need to keep output and running procedures amiable. In order to do so, the flexible organization functions as a conglomeration of fairly autonomous establishments within the same firm. Such forms of organization characterize both our case banks, as well as most contemporary bank establishments in Norway (*Financial Year 2005*).

(ii) Under headings such as ‘Human Recourse Management’ (*HRM*); theoretical attempts to console employment policies with latest economical developments have reached new heights in the academic consciousness the last twenty, or so, years. A common thread in *HRM* business tactics is to enlist individual employees’ inherent skills and workplace wisdom, rather than restricting their work performance by particularly targeting work assignments. The argument is that, by doing so, managers will have the ability to adjust and alter their business strategies to economic demands, as well as benefit from workers own experiences from their employment (*HRM* details under heading ‘New Organizational Strategies’ in chapter 3.4). In other words, the need to remain flexible in the running business procedures has a small-scale accompaniment in the engagement to the employment situation in modern establishments. Because the individual, instead of the worker-collective, is approached under *HRM* guidelines; such strategies are also reflected in anti-unions stances on part of theorists and their management adherents (Bratton and Gould 1994: 17). The idea of engaging in collective wage bargaining is inconsolable with *HRM* insofar as such wage settlement inhibits an individualized philosophy of employment policy. If nothing more, the centralized components of collective bargaining are not favoured by modern businesses adhering to *HRM* tactics (Thompson and McHugh 2002: 53).

Needless – though crucial – to say, Norwegian banks, as financial institutions, are positioned at the very locus of this “new” economy, because this has its very roots in the financial institutions. Making empirical assertions more or less entirely by projecting theoretical assumptions might seem a bit undisciplined. It might be a good reminder, though, that the banking sector was chosen for study because it today does exhibit decentralizing tendencies, such the pay system individualization at our case banks illustrate. The theory

above has informative aptitude as to why such is the case. The accommodations of our theoretical contributions did offer further guidance as well.

7.2 The Shop Steward Role Will Be Affected

Section 3 gave voice to some scholars who explicitly have dealt with the trade union consequences in industries subject to decentralizing tendencies of wage formation. The final verdict of those was that decentralization is the likely trend in an increasing number of industries, with due challenges and demands for trade unions' provisions (Calmfors et al. 2001: 132). It was thus proposed for an intensification of trade union activity more *indirectly* related to the exact fixation of payment – such as legal advisory functions to members – when members no longer support cross-plant wage harmonization. Employers and employer associations in such industries were thought of as continuing driving forces of decentralizing tendencies (Calmfors et al. 2001: 118); so that no attraction to centralized pay settlement will exist from the parties of the bargaining process the moment employees no longer favour such arrangements.

The theorist who suggests both the diagnosis and the remedy for trade unions in decentralizing industries is David Marsden (2001). He proposes that modern trade unions should comply with a new 'procedural justice' principle, which directs a strengthening of company level autonomy (that is, shop stewards rather than sector level organizations), and a stronger emphasis on trade union intervention in procedural pay system matters than in substantial ones. This proposal, of course, is compatible with the desires for wage formation amongst 'service-oriented' employee groups (see table 1 on Scheuer's division) as those wish for minimum intervention betwixt employer and employee in *all* matters. Shop stewards behaving in accordance with Marsden's prescriptions would more or less function as mediators and informational transmitters in the process of wage fixation.

Shop stewards' experiences from the pay system alteration from the case banks were given strong attention with this in mind. Even though somewhat divergent opinions were communicated from the two case banks respectively, they had it in common to reveal that shop stewards were highly affected from the development. As already mentioned; the fact that both case banks only recently changed their pay systems forces us to make assertions as to which role shop stewards had in the process of alteration, rather than to assess the consequences afterwards. The bounteous details are given in the case comparison section

(section 6). Here, the discussion will only centre on issues directly related to the ‘procedural justice’ principle articulated by Marsden.

The undisputable observation was that the shop steward informant from Bank B expressed far greater satisfaction with the new pay system than did the two informants speaking no behalf of Bank A’s trade union representatives. In order to answer the basic research question – *how can one understand the causes and developments of individualized pay systems in the Norwegian financial services industry?* –, the crux is, then, to establish whether or not the diverging opinions of shop stewards can be related to Marsden’s proposition for sustainable trade union functions in decentralized industrial relations. The suggestion here is that they can.

In the case comparison section (6, above) it was apparent that the shop stewards from Bank A felt that the entire issue of wage fixation had lapsed from their agenda – both in terms of implementation and proceedings of the new pay system. Instead of receiving a new position in wage formation (e.g. a more procedural) these stewards complained that they had to concentrate their entire energy on other matter (most notably the bonus dispersion). At Bank B, on the other hand, shop stewards were firmly included throughout the whole process leading to the new pay regime. For instance, they served as conveyors of concerns and opinions between employees and management, and succeeded in securing certain provisions for minimum wage increase. Since it is too early to state if a *procedural* role for shop stewards at Bank B has been guaranteed – let alone the fact that it is not certain whether or not Bank B will be granted a permanent exemption from the *Basic Agreement* – it is impossible to render a sound conclusion. What can be inferred is that shop stewards in the bank did pursue their function in the prolegomena of the new pay system as mediators, and hence along the lines Marsden sketches.

Summary

The main finding of this study is, then, that pay individualization is, at present, a likely avenue for organizational restructuring among Norwegian banks, whatever the grounds for shifting business operations may be. The possibility of doing so arises from a general willingness from the sector level negotiating parties to confer decision power to company level, as well as from modern bank clerks’ likelihood of favouring direct collaboration with their employers rather than through collective parties on pay-related issues. All departure from collective pay formation is, in essence, a matter of decentralization of some aspects of

industrial relations, and, from our cases, it seems likely that the industrial relations actors that will stand most affected from pay individualization are the various shop stewards at the different bank companies. Our case banks have informed us that, in the same way as the grounds for implementing individualized pay system may differ; there is no fixed outcome as to what position shop stewards in banks who opt for pay system individualization will enjoy. However, it seems likely that the changed role for stewards will imply a shift in the direction of, either a more *procedural* monitoring and informational transmitting function, or a withdrawal of *substantial* wage influence altogether. The theoretical literatures dealing with trade union functions in modern economic sectors, as well as the empirical material of this study, share this opinion.

Both the theory and our empirics furthermore point in the direction that the more successful outcome for trade union representatives is reached by attempts to secure principles of ‘procedural justice’ in wage formation. One of our case banks seems to have accomplished this, though the recent nature of pay system transformation at both research sites would make stronger speculations hubristic. It is, though, interesting to note that the shop stewards whose role is here alleged to having unfolded most successfully were the ones from the bank that more drastically changed its pay system.

Coda

Some would probably miss a more thorough discussion of the one feature of Norwegian corporatist centralization that affect the banking sector; namely, the ‘pattern bargaining’ model (see chapter 3.3). Indeed, as long as this model stays intact, wage increases in the financial services industry will not be very much affected if several Norwegian companies opt for pay system individualization. This political debate, however pertinent, is omitted from this analysis as it is considered out of reach to the empirical research design of this thesis. This short paragraph on the matter is to be interpreted as a statement of defence for the omission.

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All citations used in thesis are given in reference section

Appendix 1: Sample of Interview Guide (in Norwegian)

Intervju med tillitsvalgte i Bank A

- Er organisasjonsgraden stor i *bank A*?

Fra Hovedavtalen FA / FF (2002-2006)

(§8) i den enkelte bedrift kan det ved enighet mellom ledelse og tillitsvalgte opprettes skriftlige særavtaler som gjelder forholdet mellom arbeidsgiver og arbeidstager. Bestemmelsene i særavtalen kan senere inntas i bedriftsavtalen.

- foreligger det slike særavtaler inngått mellom tillitsvalgte og ledelse i *bank A*? (I tilfellet hvilke?)
- Omhandler noen slike særavtaler lønnsforhold for bankens ansatte?
- er bestemmelsene tatt inn i Bedriftsavtalen?

(§13) det finnes hovedregler i Hovedavtalen for antallet tillitsvalgte som skal finnes per beslutningsområde for FAs medlemmer.

- hvor mange beslutningsområder finnes det i *bank A*?
- hvor mange tillitsvalgte er det?

(§13.41) i bedrifter med flere beslutningsnivåer etableres et utvalg av tillitsvalgte (TU).

- finnes TU i *bank A*?

(§13.39-40) det skal som hovedregel holdes kontaktmøter mellom ledelsen og de tillitsvalgte minst 4 ganger per år.

- praktiseres det jevnlige *kontaktmøter* mellom deg og ledelsen (jf. § 13.8)?
- hvilke saker behandles på møtene?
- behandles ansattes lønnsforhold på kontaktmøtene?
- legges ledelsens IT – planer årlig frem for deg som tillitsvalgt (jf. § 13.c)?
- er planlegging og utforming av IT – systemer noe som befinner seg sentralt på din agenda som tillitsvalgt i *bank A*?

Angående lønnsfastsettelse

- Har *bank A* *Ansettelsesutvalg* (jf. § 14)?
- Finnes det beslutningsområder innenfor *bank A*, og i tilfellet, fungerer du som tillitsvalgt der som en meklingsperson vedrørende lønnsspørsmål?

(§14.5) bedriftene skal gjennomføre en årlig gjennomgåelse av de ansattes lønnsforhold for å vurdere eventuelle personlige tillegg for ansatte lønnet til og med lønnstrinn 50.

- hvordan opplever du at denne gjennomgangen forløper i *bank A*?
- Hvilken rolle har du som tillitsvalgt under denne gjennomgangen?
- under lønnsfastsettelsen, forholder du deg kun til ansatte som er organisert i Finansforbundet, eller også til uorganiserte ansatte?
- mener du å kunne identifisere forskjellig praktisering av lønnsfastsettelsen i forhold til ulike grupper ansatte?
- Føler du de ansatte har tillit til rådende lønnssystem?

Angående samarbeidsutvalg

- er det opprettet *samarbeidsutvalg* i *bank A*?
- I tilfellet, hvordan håndterer samarbeidsutvalget rekrutterings- og opplæringspolitikken i *bank A* (jf. § 15.5)
- Er det felles samarbeids- og arbeidsmiljøutvalg i *bank A*?
- I tilfellet, hvordan fungerer oppgavedelingen innad i fellesutvalget?
- Er det mulig å få innsyn i rapporten utarbeidet av samarbeidsutvalget (jf. § 17.10)?

Fra Sentralavtalen FA / FF (2004-2006)

Sentralavtalen (kapittel III) slår fast at den enkelte bedrifts lønssystem skal være tilpasset den enkelte bedrifts behov og organisasjon.

- hvilken rolle har den tillitsvalgte (hatt) under utformingen av gjeldende lønssystem i *bank A*?
- Hvilken rolle har du som tillitsvalgt under ansattes lønnsfastsettelse?
- Føler du at du representerer svært ulike interessegrupper blant de ansatte, hva lønn angår?
- benyttes det både *individuelle* og *kollektive* prestasjonslønsformer under lønnsfastsettelsen i *bank A*?
- Utgjør dette skillet i type prestasjonslønn samtidig et skille for din medvirkning i lønnsfastsettelsen som tillitsvalgt?

Kapittel 3 i "Nytt Arbeidsliv" (Torp red.) forteller at innen finansiell tjenesteyting er prestasjonslønn hyppigst forekommende i norske arbeidslivssektorer (s. 63). Samtidig listes det opp tre utfordringer med prestasjonslønn,

- 1) ansattes rettferdighetsoppfatninger kan råkes
 - 2) ansatt kan mangle tiltro til lønnsystemets evne til å "fange opp" faktisk innsats³⁴
 - 3) konkurranse mellom ansatte kan få uheldige følger for felles innsats
- føler du disse utfordringene gjør seg gjeldende under individuell lønnsfastsettelse i *bank A*?
 - Er det utfordringer som påvirker din rolle som tillitsvalgt?

Søkes din hjelp som tillitsvalgt i forbindelse med disse – eller andre – utfordringer med individuell lønnsfastsettelse?

Angående Finansforbundet

- hvilke tjenester søker du fra Finansforbundet i kraft av din posisjon som tillitsvalgt?
-

David Marsden (2001³⁵) mener fremtidens fagforbund vil måtte konsentrere sin innsats på *lokalt* nivå – med særlig vekt på tillitsvalgtes evne til direkte konsultasjon mellom ansatte og

³⁴ Sml. Marsden (2001)

³⁵ *The Rate of the Job* (2001). CentrePiece.

arbeidsgivere. Marsden lister opp særlig tre forhold ved lønnsfastsettelsen som gjør tillitsvalgte spesielt viktig for de ansatte vedrørende lønnsspørsmål:

- vil du si tillitsvalgt rollen din, i dag, innebærer behandlingen av ovennevnte tre forhold?
 1. *gjennomføringen* av lønnsfastsettelsen i ytelsesbaserte lønnssystemer
 2. *fastsettelsen* av typer avlønning
 3. *formidlingen* av ansattes syn på lønnsfastsettelsen
- hvordan skulle din tillitsvalgt rolle bli forbedret?